ADC TELECOMMUNICATIONS INC
Form 10-Q
June 04, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 1, 2009

OR

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

For the transition period from N/A to N/A

Commission file number 0-1424

ADC Telecommunications, Inc.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0743912**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13625 Technology Drive, Eden Prairie, MN 55344-2252

(Address of principal executive offices) (Zip code)

(952) 938-8080

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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.

þ YES o 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

o YES o 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o YES þ NO

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common stock, $.20 par value: 96,623,723 shares as of June 2, 2009

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS UNAUDITED

	May 1, 2009	October 31, 2008
	(In millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 462.3	$ 631.4
Accounts receivable, net of reserves of $14.4 and $17.3	178.2	215.4
Unbilled revenue	19.5	25.2
Inventories, net of reserves of $37.7 and $50.7	149.4	162.7
Prepaid and other current assets	33.6	34.7
Assets of discontinued operations	9.3	8.0
Total current assets	852.3	1,077.4
Property and equipment, net of accumulated depreciation of $426.4 and $407.7	168.9	177.1
Assets held for sale		2.9
Restricted cash	27.0	15.3
Goodwill		359.3
Intangibles, net of accumulated amortization of $132.6 and $126.3	99.8	161.1
Long-term available-for-sale securities	77.8	40.4
Other assets	80.6	86.3
Long-term assets of discontinued operations	1.1	1.2
Total assets	$ 1,307.5	$ 1,921.0
LIABILITIES AND SHAREOWNERS INVESTMENT		
Current Liabilities:		
Current portion of long-term notes payable	$ 1.0	$ 2.6
Accounts payable	72.5	99.1
Accrued compensation and benefits	48.7	78.1
Other accrued liabilities	63.7	71.0
Income taxes payable	1.3	2.4
Restructuring accrual	13.6	16.7
Liabilities of discontinued operations	6.4	8.1
Total current liabilities	207.2	278.0
Pension obligations and other long-term liabilities	83.2	78.1
Long-term notes payable	650.4	650.7
Total liabilities	940.8	1,006.8
Shareowners Investment:		
(96.6 and 111.3 shares outstanding, respectively)	366.7	914.2

Total liabilities and shareowners investment	$ 1,307.5	$ 1,921.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS UNAUDITED

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)			
Net Sales:				
Products	$ 244.5	$ 353.9	$ 468.3	$ 646.8
Services	30.6	39.3	61.1	75.5
Total net sales	275.1	393.2	529.4	722.3
Cost of Sales:				
Products	161.2	220.2	310.2	395.5
Services	23.8	31.5	50.4	64.9
Total cost of sales	185.0	251.7	360.6	460.4
Gross Profit	90.1	141.5	168.8	261.9
Operating Expenses:				
Research and development	18.4	21.8	37.4	41.3
Selling and administration	66.1	84.9	138.0	166.6
Impairment charges	0.7		414.2	
Restructuring charges	7.3	1.0	7.8	2.2
Total operating expenses	92.5	107.7	597.4	210.1
Operating Income (Loss)	(2.4)	33.8	(428.6)	51.8
Other income (loss), net	(5.8)	(15.9)	(26.1)	(60.8)
Income (loss) before income taxes	(8.2)	17.9	(454.7)	(9.0)
Provision (benefit) for income taxes	1.4	1.9	(2.6)	3.4
Income (loss) from continuing operations	(9.6)	16.0	(452.1)	(12.4)
Discontinued Operations, Net of Tax				
Income (loss) from discontinued operations	(1.3)	0.3	(1.6)	1.4
Net Income (Loss)	$ (10.9)	$ 16.3	$ (453.7)	$ (11.0)
Weighted Average Common Shares Outstanding (Basic)	96.6	117.7	98.0	117.7
Weighted Average Common Shares Outstanding (Diluted)	96.6	118.2	98.0	117.7
Basic Earnings (Loss) Per Share:				
Continuing operations	$ (0.10)	$ 0.14	$ (4.61)	$ (0.11)

Discontinued operations	$ (0.01)	$	$ (0.02)	$ 0.02
Net income (loss) per share	$ (0.11)	$ 0.14	$ (4.63)	$ (0.09)
Diluted Earnings (Loss) Per Share:				
Continuing operations	$ (0.10)	$ 0.14	$ (4.61)	$ (0.11)
Discontinued operations	$ (0.01)	$	$ (0.02)	$ 0.02
Net income (loss) per share	$ (0.11)	$ 0.14	$ (4.63)	$ (0.09)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED

	Six Months Ended	
	May 1, 2009	May 2, 2008
	(In millions)	
Operating Activities:		
Loss from continuing operations	$ (452.1)	$ (12.4)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities from continuing operations:		
Change in inventory reserves	5.8	5.0
Fixed asset impairment	0.3	
Goodwill impairment	366.6	
Write-down of cost method investment	3.0	
Intangibles impairment	47.3	
Write-down of available-for-sale securities	14.9	68.2
Depreciation and amortization	39.0	40.5
Restructuring expenses	7.8	2.2
Change in bad debt reserves	2.6	0.9
Change in warranty reserves	(0.1)	(1.3)
Non-cash stock compensation	6.3	9.2
Change in deferred income taxes	(4.4)	(0.9)
Gain on sale of property and equipment	(0.9)	
Amortization of deferred financing costs	2.0	1.2
Other, net	0.5	(6.8)
Changes in operating assets and liabilities, net of acquisitions and divestitures:		
Accounts receivable and unbilled revenues decrease/(increase)	39.0	(5.0)
Inventories decrease/(increase)	8.2	(10.3)
Prepaid and other assets decrease	4.3	4.9
Accounts payable decrease	(27.2)	(17.1)
Accrued liabilities decrease	(53.4)	(23.0)
Total cash provided by operating activities from continuing operations	9.5	55.3
Total cash used for operating activities from discontinued operations	(4.3)	(0.9)
Total cash provided by operating activities	5.2	54.4
Investing Activities:		
Acquisitions, net of cash acquired	(2.7)	(199.4)
Purchase of interest in unconsolidated affiliates		(5.2)
Property, equipment and patent additions	(18.4)	(19.9)
Proceeds from disposal of property and equipment	4.5	0.1
(Increase)/decrease in restricted cash	(11.6)	0.9
Purchase of available-for-sale securities	(51.4)	(4.7)
Sale of available-for-sale securities		39.7
Other	0.4	
Total cash used for investing activities from continuing operations	(79.2)	(188.5)

Total cash used for investing activities from discontinued operations	(0.1)	
Total cash used for investing activities	(79.3)	(188.5)
Financing Activities:		
Debt issued		450.0
Payments of financing costs		(10.7)
Debt payments	(1.9)	(18.0)
Common stock repurchase	(94.1)	
Common stock issued		0.3
Total cash provided by (used for) financing activities	(96.0)	421.6
Effect of Exchange Rate Changes on Cash	1.0	5.6
Increase (Decrease) in Cash and Cash Equivalents	(169.1)	293.1
Cash and Cash Equivalents, beginning of period	631.4	520.2
Cash and Cash Equivalents, end of period	$ 462.3	$ 813.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

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ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

Note 1: Basis of Presentation

These interim unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the United States Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The interim information furnished in this report reflects all normal recurring adjustments, which are necessary, in the opinion of our management, for a fair presentation of the results for the interim periods. The operating results for the three and six months ended May 1, 2009 are not necessarily indicative of the operating results to be expected for the full fiscal year. These statements should be read in conjunction with our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2008.

During the fourth quarter of fiscal 2008, our Board of Directors approved a plan to divest our German professional services business (APS Germany). In accordance with Statement of Financial Accounting Standards (SFAS) No. 144 *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), this business was classified as discontinued operations for all periods presented.

Fiscal Year

Our first three quarters end on the Friday nearest to the end of January, April and July, respectively.

On July 22, 2008, our Board of Directors approved a change in our fiscal year end from October 31st to September 30th commencing with our fiscal year 2009. This will result in our fiscal year 2009 being shortened from 12 months to 11 months and ending on September 30th.

We plan to file our annual report on Form 10-K for our fiscal 2009 as our transition report. Accordingly, we will continue to file quarterly reports on Form 10-Q on our present quarterly reporting cycle that corresponds to an October 31st fiscal year end through our third quarter of fiscal 2009 ending July 31, 2009. We will then use our Annual Report on Form 10-K for fiscal 2009 to transition to a quarterly reporting cycle that corresponds to a September 30th fiscal year end. Therefore, for financial reporting purposes our fourth quarter of fiscal 2009 will be shortened from the quarterly period ending October 31st to an approximate two month period ending September 30th.

Warranty

We provide reserves for the estimated cost of product warranties at the time revenue is recognized. We estimate the costs of our warranty obligations based on our warranty policy or applicable contractual warranty, our historical experience of known product failure rates, and our use of materials and service delivery costs incurred in correcting product failures. In addition, from time to time, specific warranty accruals may be made if unforeseen technical problems arise.

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The following table provides detail on the activity in the warranty reserve accrual balance as of May 1, 2009:

	Accrual October 31, 2008	Purchase Accounting Adjustments	Charged to costs and expenses	Deductions	Accrual May 1, 2009
			(In millions)		
Warranty Reserve	$8.9	$ (0.6)	$ (0.1)	$ 0.8	$ 7.4

Share-Based Compensation

Share-based compensation recognized under SFAS No. 123(R) *Share-Based Payment: An amendment of Financial Accounting Standards Board (FASB) Statement No. 123 and 95,* for the three and six months ended May 1, 2009 was $2.9 million and $6.3 million, respectively. Share-based compensation expense for the three and six months ended May 2, 2008 was $3.8 million and $9.2 million, respectively.

Summary of Significant Accounting Policies

A detailed description of our significant accounting policies can be found in our most recent Annual Report on Form 10-K for the fiscal year ended October 31, 2008. We are updating our summary of significant accounting policies to include:

Fair Value Measurements

Effective November 1, 2008, we adopted the provisions of SFAS No. 157, *Fair Value Measurements* (SFAS 157), which provides enhanced guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. The adoption of SFAS 157 had no material impact on our consolidated financial statements.

In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities until the beginning of fiscal year 2010, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We are currently evaluating the impact that the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities may have on our consolidated financial statements. Our significant nonfinancial assets and nonfinancial liabilities that may be impacted by the adoption of FAS 157 include fixed assets and intangible assets.

Effective November 1, 2008, we adopted the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS 159). Under SFAS 159, a company may choose, at specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upon our adoption of SFAS 159, we have not elected the fair value option for any eligible financial instruments.

Derivatives

Effective January 31, 2009, we adopted the provisions of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FAS 133* (SFAS 161). SFAS 161 applies to all derivative instruments and non-derivative instruments that are designated and qualify as hedging instruments and related hedged items accounted for under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). The provisions of SFAS 161 require entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows.

Recently Issued Accounting Pronouncements

In April 2009, the FASB issued FSP 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4), which amends SFAS 157 to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or

liability. FSP 157-4 also provides additional guidance on circumstances that may indicate that a transaction is not orderly. The provisions of FSP 157-4 are effective for our third quarter of fiscal 2009. We are currently evaluating the effects, if any, that FSP 157-4 may have on our consolidated financial statements.

In April 2009, the FASB issued FSP 107-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP 107-1), which amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments* and APB Opinion No. 28, *Interim Financial Reporting.* FSP 107-1 extends the requirement to disclose the fair value of financial instruments to interim financial statements. The provisions of FSP 107-1 are effective for our third quarter of fiscal 2009. The adoption of FSP 107-1 requires additional disclosures and will not have an impact on our consolidated statements of operations or our consolidated balance sheets.

In April 2009, the FASB issued FSP 115-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP 115-2), which provides new guidance on the recognition and presentation of an other-than-temporary impairment (OTTI) and provides certain new disclosure requirements. Equity securities are excluded from the scope of FSP 115-2. The provisions of FSP 115-2 are effective for our third quarter of fiscal 2009. We are currently evaluating the effects that FSP 115-2 may have on our consolidated financial statements.

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Note 2: Acquisitions

LGC

On December 3, 2007, we completed the acquisition of LGC Wireless, Inc. (LGC), a provider of in-building wireless solution products, headquartered in San Jose, California. These products increase the quality and capacity of wireless networks by permitting voice and data signals to penetrate building structures and by distributing these signals evenly throughout the building. LGC also offers products that permit voice and data signals to reach remote locations. The acquisition was made to enable us to participate in this high growth segment of the industry.

We acquired all of the outstanding capital stock and warrants of LGC for $143.3 million in cash (net of cash acquired). We acquired $58.9 million of intangible assets as part of this purchase. Goodwill of $85.4 million was recorded in this transaction and assigned to our Network Solutions segment. This goodwill is not deductible for tax purposes. We also assumed debt of $17.3 million associated with this acquisition, the majority of which was paid off by the second quarter of fiscal 2008. The results of LGC, subsequent to December 3, 2007, are included in our consolidated statements of operations.

Option holders of LGC shares were given the opportunity either to receive a cash payment for their options or exchange their options for options to acquire ADC shares. Certain LGC option holders received $9.1 million in cash payments for their options. The remaining option holders received ADC options with a fair value of $3.5 million as of the close of the acquisition. Of this $3.5 million, $3.0 million was added to the purchase price of LGC and the remaining $0.5 million will be recognized over the remaining vesting period.

Of the purchase price, $15.5 million was placed in escrow for up to 15 months following the close of the transaction. As of May 1, 2009, $2.7 million of the total escrow amount had been released to us to settle certain indemnity claims under the purchase agreement. The $2.7 million payment was accounted for as a return of consideration and decreased goodwill accordingly. We have reached an agreement with LGC to release to us an additional $1.2 million of escrow for the final settlement of certain indemnity claims. We expect to receive this release of escrow in the third quarter of fiscal 2009. Upon our receipt of the $1.2 million from the escrow, the remaining funds held in the escrow will be released to the former LGC shareholders and the escrow agreement will be terminated.

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The following table summarizes the allocation of the purchase price to the fair values of the assets acquired and liabilities assumed at the date of acquisition (in millions):

	December 3, 2007
Current assets	$ 44.9
Intangible assets	58.9
Goodwill	85.4
Other long-term assets	3.3
Total assets acquired	192.5
Current liabilities	42.9
Long-term liabilities	2.5
Total liabilities assumed	45.4
Net assets acquired	147.1
Less:	
Cash acquired	0.8
LGC Options exchanged for ADC Options	3.0
Net cash paid	$ 143.3

Century Man

On January 10, 2008, we completed the acquisition of Shenzhen Century Man Communication Equipment Co., Ltd. and certain affiliated entities (Century Man), a leading provider of communication distribution frame solutions, headquartered in Shenzhen, China. The acquisition has accelerated our growth in the Chinese connectivity market, as well as provided us with additional products designed to meet the needs of customers in other developing markets outside of China.

We acquired Century Man for $52.3 million in cash (net of cash acquired). The former shareholders of Century Man may be paid up to an additional $15.0 million (the earn out) if, during the three years following closing, certain financial results are achieved by the acquired business. We paid the first $5.0 million installment of this earn out in March 2009. This amount had been accrued in the first quarter of fiscal 2009 and was recorded as an increase to the goodwill associated with this transaction. In addition, a $0.4 million payment was made to the former shareholders for the effect of changes in foreign exchange rates on the installment payment.

Of the purchase price, $7.5 million was placed in escrow for up to 24 months following the close of the transaction. Of the $7.5 million, $7.0 million relates to potential indemnification claims and $0.5 million relates to the disposition of certain buildings. As of May 1, 2009, $3.5 million of the total escrow amount had been released to the sellers. In addition, a $0.3 million payment was made to the sellers for the effect of changes in foreign exchange rates on the amount of escrow released as per the escrow agreement. This payment was accounted for as additional contingent consideration to the sellers and increased goodwill accordingly.

We acquired $13.0 million of intangible assets as part of this purchase. Goodwill of $36.7 million was recorded in this transaction and assigned to our Global Connectivity Solutions (Connectivity) segment. This goodwill is not deductible for tax purposes. The results of Century Man, subsequent to January 10, 2008, are included in our consolidated statements of operations.

The following table summarizes the allocation of the purchase price to the fair values of the assets acquired and liabilities assumed at the date of acquisition (in millions):

	January 10, 2008

Current assets	$	33.1
Intangible assets		13.0
Goodwill		36.7
Other long-term assets		0.5
Total assets acquired		83.3
Current liabilities		26.0
Long-term liabilities		
Total liabilities assumed		26.0
Net assets acquired		57.3
Less cash acquired		5.0
Net cash paid	$	52.3

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Pro-Forma Results of Operations

Unaudited pro forma consolidated results of operations, as though the acquisitions of LGC and Century Man were completed at the beginning of fiscal 2008, are (in millions, except per share data):

	Six Months Ended May 2, 2008
Net sales	$ 746.8
Loss from continuing operations	(9.6)
Net loss	(9.1)
Loss from continuing operations per share basic and diluted	(0.08)
Net loss per share basic and diluted	$ (0.08)

The allocation of the purchase prices for LGC and Century Man to the assets and liabilities acquired was finalized in the first quarter of fiscal 2009 and did not result in any material adjustments. See Note 7 for a discussion of the goodwill and intangible asset impairments recorded in the first quarter of fiscal 2009.

Note 3: Discontinued Operations

APS Germany

During the fourth quarter of fiscal 2008, our Board of Directors approved a plan to divest APS Germany. We classified this business as a discontinued operation in the fourth quarter of fiscal 2008. This business was previously included in our Professional Services segment. We expect to close on a sale of APS Germany in fiscal 2009.

The financial results of our APS Germany business are reported separately as discontinued operations for all periods presented in accordance with SFAS 144. The financial results of our APS Germany business included in discontinued operations are:

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)		(In millions)	
Net sales	$ 6.2	$ 10.2	$ 13.1	$ 19.6
Income (loss) from discontinued operations	$ (1.3)	$ 0.3	$ (1.6)	$ 1.4
Gain (loss) on sale of discontinued operations				
Total discontinued operations	$ (1.3)	$ 0.3	$ (1.6)	$ 1.4

Note 4: Net Income (Loss) from Continuing Operations Per Share

The following table presents a reconciliation of the numerators and denominators of basic and diluted income (loss) per share from continuing operations:

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions, except per share amounts)		(In millions, except per share amounts)	
Numerator:				
Net income (loss) from continuing operations	$ (9.6)	$ 16.0	$ (452.1)	$ (12.4)
Interest expense for convertible notes				

Net income (loss) from continuing operations	diluted	$ (9.6)	$ 16.0	$ (452.1)	$ (12.4)
Denominator:					
Weighted average common shares outstanding	basic	96.6	117.7	98.0	117.7
Convertible bonds converted to common stock					
Employee options and other			0.5		
Weighted average common shares outstanding	diluted	96.6	118.2	98.0	117.7
Basic income (loss) per share from continuing operations		$ (0.10)	$ 0.14	$ (4.61)	$ (0.11)
Diluted income (loss) per share from continuing operations		$ (0.10)	$ 0.14	$ (4.61)	$ (0.11)

Excluded from the dilutive securities described above are employee stock options to acquire 7.9 million and 7.0 million shares for the three months ended May 1, 2009, and May 2, 2008, respectively. Also excluded are employee stock options to acquire 7.5 million and 6.9 million shares for the six months ended May 1, 2009 and May 2, 2008, respectively. These exclusions are made if the exercise prices of these options are greater than the average market price of our common stock for the period, if the number of shares we can repurchase with all the forms of exercise proceeds exceeds the weighted shares outstanding in the options, or if we have net losses, all of which have an anti-dilutive effect.

We are required to use the if-converted method for computing diluted earnings per share with respect to the shares reserved for issuance upon conversion of the notes (described in detail below). Under this method, we add back the interest expense on the convertible notes to net income and then divide this amount by our total outstanding shares, including those shares reserved for issuance upon conversion of the notes. The following details our convertible debt:

	Convertible Shares		**Conversion**
Convertible Subordinated Notes	**May 1, 2009**	**May 2, 2008**	**Price**
	(In millions)		
$200 million, 1.0% fixed rate, paid June 15, 2008		7.1	$ 28.091
$200 million, 6-month LIBOR plus 0.375%, due June 15, 2013	7.1	7.1	28.091
$225 million, 3.5% fixed rate, due July 15, 2015	8.3	8.3	27.000
$225 million, 3.5% fixed rate, due July 15, 2017	7.9	7.9	28.550
Total	23.3	30.4	

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Prior to June 15, 2008, the 2008 notes and 2013 notes had been evaluated for dilution effects together by adding back their associated interest expense and dividing this amount by our total shares, including all 14.2 million shares that could be issued upon conversion of these notes. These notes were evaluated together for dilution effects as the conversion price was the same on both. Since the 2008 notes have been paid, the 2013 notes are evaluated separately by adding back the appropriate interest expense and dividing this amount by our total shares, including the 7.1 million shares that could be issued upon conversion of these notes. Additionally, the 2015 notes and 2017 notes are evaluated separately by adding back the appropriate interest expense from each and dividing by our total shares, including all 8.3 million and 7.9 million shares, respectively, that could be issued upon conversion of each of these notes. Based upon these calculations, all shares reserved for issuance upon conversion of our convertible notes were excluded for the three and six months ended May 1, 2009 and May 2, 2008, because of their anti-dilutive effect.

Note 5: Inventories

Our inventories are:

	May 1, 2009	October 31, 2008
	(In millions)	
Manufactured products	$ 117.1	$ 132.9
Purchased materials	63.1	73.1
Work-in-process	6.9	7.4
Less: Inventory reserve	(37.7)	(50.7)
Total inventories, net	$ 149.4	$ 162.7

Note 6: Property and Equipment

Our property and equipment are:

	May 1, 2009	October 31, 2008
	(In millions)	
Land and buildings	$ 133.8	$ 134.7
Machinery and equipment	409.8	404.6
Furniture and fixtures	38.6	38.9
Less: Accumulated depreciation	(426.4)	(407.7)
Total	155.8	170.5
Construction-in-progress	13.1	6.6
Total property and equipment, net	$ 168.9	$ 177.1

Note 7: Goodwill and Intangible Assets

In accordance with the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets (SFAS 142),* we review goodwill annually for impairment, or more frequently if potential interim indicators exist that could result in impairment. Due to the current global recession and adverse business conditions that resulted in reduced estimates to our near-term cash flow estimates and a sustained decline in our market capitalization during the first quarter of fiscal 2009, we performed a goodwill impairment analysis of our two reporting units that contain goodwill, Connectivity and Network Solutions. In our analysis, the fair values of each of the reporting units were estimated for the purpose of goodwill impairment testing by applying the present value of forecasted future cash flows, using estimates, judgments and assumptions that management believed were appropriate for the circumstances. We also considered market approaches as well as the cost approach in estimating fair value. In performing the goodwill impairment analysis, we,

among other things, consulted with an independent advisor.

In accordance with SFAS 144, long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Based on recent business conditions, an impairment review of long-lived assets was performed in the first quarter of fiscal 2009. The review resulted in the recognition of an impairment charge related to the intangible assets of the Network Solutions segment. The fair value of the impaired assets was estimated for the purpose of impairment testing by applying the present value of forecasted future cash flows, using estimates, judgments and assumptions that management believed were appropriate for the circumstances. In preparing the estimated fair value of the impaired assets, we, among other things, consulted with an independent advisor.

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As of our first quarter of fiscal 2009, we recorded an estimated impairment charge of $413.5 million to reduce the carrying value of goodwill and other long-lived intangibles. The estimated impairment includes $280.8 million of goodwill related to Connectivity and $85.4 million of goodwill and $47.3 million of intangibles related to Network Solutions. We finalized this analysis in connection with the preparation of our financial statements for the second quarter of fiscal 2009. We recognized an additional goodwill impairment of $0.4 million related to Connectivity in the three months ended May 1, 2009. We believe that our reduced estimates of near-term financial performance do not materially impact our liquidity position or our ability to execute our business strategy.

The following are changes in the carrying amount of goodwill for the six months ended May 1, 2009:

	Connectivity	Network Solutions	Total
		(In millions)	
Balance as of October 31, 2008	$ 274.0	$ 85.3	$ 359.3
Purchase accounting adjustments	6.5	0.1	6.6
Cumulative translation adjustments	0.3		0.3
Other	0.4		0.4
Impairment	(281.2)	(85.4)	(366.6)
Balance as of May 1, 2009	$	$	$

In connection with the acquisition of LGC, we recorded intangible assets of $58.9 million related to customer relationships and technology. As previously described, these intangibles were subsequently impaired. In connection with the acquisition of Century Man, we recorded intangible assets of $13.0 million related to customer relationships, technology and non-compete agreements, which were not impacted by the impairments described above.

Note 8: Income Taxes

Our income tax expense of $1.4 million for the three months ended May 1, 2009 primarily relates to foreign income taxes. Our income tax benefit of $2.6 million for the six months ended May 1, 2009 primarily relates to the reversal of deferred tax liabilities attributable to U.S. tax amortization of purchased goodwill from the acquisition of KRONE, partially offset by foreign income taxes. The reversal of these deferred tax liabilities results from the goodwill impairment charge discussed in Note 7 to the financial statements.

As of May 1, 2009, our net deferred tax assets were $1,056.2 million with a related valuation allowance of $1,002.0 million. Deferred tax assets represent future tax benefits to be received when certain expenses and losses previously recognized in the financial statements become deductible under applicable income tax laws. The realization of deferred tax assets is dependent on future taxable income against which these deductions can be applied. SFAS No. 109, *Accounting for Income Taxes,* requires that a valuation allowance be established when it is more likely than not that all or a portion of the deferred tax assets will not be realized, and requires periodic adjustments to the valuation allowance when there are changes in the evidence of realizability.

Most of our deferred tax assets are related to U.S. income tax net operating losses and are not expected to expire until after fiscal 2021, with the exception of $210.9 million relating to capital loss carryforwards that can be utilized only against realized capital gains through fiscal 2009.

As of May 1, 2009, the gross amount of unrecognized income tax benefits (excluding interest and penalties) was $27.6 million. The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $10.4 million. As of May 1, 2009, the amount accrued for interest and penalties related to unrecognized income tax benefits was $2.7 million. We recognize accrued interest and penalties related to unrecognized income tax benefits in income tax expense.

Note 9: Comprehensive Income (Loss)

Comprehensive income (loss) has no impact on our net income (loss) but is reflected in our balance sheet through adjustments to shareowners investment. Comprehensive income (loss) is derived from foreign currency translation

adjustments and unrealized gains (losses) and related adjustments on available-for-sale securities and hedging activities.

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The components of comprehensive income (loss) are:

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)		(In millions)	
Net income (loss)	$ (10.9)	$ 16.3	$ (453.7)	$ (11.0)
Change in cumulative translation adjustment	2.6	1.0	3.1	(2.3)
Net change in fair value of interest rate swap	0.6		(9.0)	
Net change in fair value of Mexican peso hedge	1.3		(0.8)	
Unrealized gain on available-for-sale securities	0.8		1.2	
Total comprehensive income (loss)	$ (5.6)	$ 17.3	$ (459.2)	$ (13.3)

There is no net tax impact for the components of comprehensive income due to the valuation allowance.

Note 10: Segment and Geographic Information

ADC is organized into operating segments based on product groupings. The reportable segments are determined in accordance with how our executive managers develop and execute our global strategies to drive growth and profitability. These strategies include product positioning, research and development programs, cost management, capacity and capital investments for each of the reportable segments. Segment performance is evaluated on several factors, including operating income. Segment operating income excludes restructuring and impairment charges, interest income or expense, other income or expense and provision for income taxes. Assets are not allocated to the segments.

Our three reportable business segments are:

Connectivity

Network Solutions

Professional Services

During the fourth quarter of fiscal 2008, management initiated a restructuring of the Network Solutions segment by exiting several outdoor wireless product lines. During the first quarter of fiscal 2009, management made further changes to the Network Solutions segment by moving the Wireline solutions business to the Connectivity segment in order to better manage and utilize resources and drive profitability. As a result of this change, we have changed our reportable segments to conform to our current management reporting presentation. We have reclassified prior year segment disclosures to conform to the new segment presentation.

Our *Connectivity* products connect wireline, wireless, cable, enterprise and broadcast communications networks over copper (twisted pair), coaxial, fiber-optic and wireless media. These products provide the physical interconnections between network components and access points into networks.

Our *Network Solutions* products help improve coverage and capacity for wireless networks. These products improve signal quality, expand coverage and capacity into expanded geographic areas, increase the speed and expand the delivery and capacity of networks, and help reduce the capital and operating costs of delivering wireless services. Applications for these products include in-building solutions, outdoor coverage solutions and mobile network solutions.

Our *Professional Services* business provides integration services for broadband and multiservice communications over wireline, wireless, cable and enterprise networks. Our Professional Services business unit helps customers plan, deploy and maintain communications networks that deliver Internet, data, video and voice services.

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We have two significant customers who each account for more than 10% of our net sales. AT&T accounted for 20.2% and 17.6% of our net sales in the three months ended May 1, 2009 and May 2, 2008, respectively. Also, AT&T accounted for 19.6% and 17.4% of our net sales in the six months ended May 1, 2009 and May 2, 2008, respectively. For the three months ended May 1, 2009 and May 2, 2008, Verizon accounted for 19.4% and 18.9%, respectively, of our net sales. For the six months ended May 1, 2009 and May 2, 2008, Verizon accounted for 18.5% and 18.2%, respectively, of our net sales. Net sales from AT&T and Verizon are included in each of our three reportable segments.

The following table sets forth certain financial information for each of our above described reportable segments:

	Connectivity	Network Solutions	Professional Services	Consolidated	Restructuring and Impairment	GAAP Consolidated
				(In millions)		
Three Months Ended May 1, 2009						
External net sales:						
Products	$ 219.1	$ 15.6	$ 9.8	$ 244.5	$	$ 244.5
Services		4.6	26.0	30.6		30.6
Total external net sales	$ 219.1	$ 20.2	$ 35.8	$ 275.1	$	$ 275.1
Depreciation and amortization	$ 16.3	$ 0.8	$ 0.9	$ 18.0	$	$ 18.0
Operating income (loss)	$ 11.5	$ (7.7)	$ 1.8	$ 5.6	$ (8.0)	$ (2.4)
Three Months Ended May 2, 2008						
External net sales:						
Products	$ 310.4	$ 30.8	$ 12.7	$ 353.9	$	$ 353.9
Services		4.2	35.1	39.3		39.3
Total external net sales	$ 310.4	$ 35.0	$ 47.8	$ 393.2	$	$ 393.2
Depreciation and amortization	$ 16.2	$ 3.4	$ 0.8	$ 20.4	$	$ 20.4
Operating income (loss)	$ 42.9	$ (8.7)	$ 0.6	$ 34.8	$ (1.0)	$ 33.8

	Connectivity	Network Solutions	Professional Services	Consolidated	Restructuring and Impairment	GAAP Consolidated
				(In millions)		
Six Months Ended May 1, 2009						
External net sales:						
Products	$ 417.3	$ 31.7	$ 19.3	$ 468.3	$	$ 468.3
Services		8.8	52.3	61.1		61.1
Total external net sales	$ 417.3	$ 40.5	$ 71.6	$ 529.4	$	$ 529.4
	$ 33.2	$ 3.9	$ 1.9	$ 39.0	$	$ 39.0

Depreciation and amortization						
Operating income (loss)	$ 11.5	$ (18.7)	$ 0.6	$ (6.6)	$ (422.0)	$ (428.6)
Six Months Ended May 2, 2008						
External net sales:						
Products	$ 567.9	$ 54.1	$ 24.8	$ 646.8	$	$ 646.8
Services		9.7	65.8	75.5		75.5
Total external net sales	$ 567.9	$ 63.8	$ 90.6	$ 722.3	$	$ 722.3
Depreciation and amortization	$ 31.4	$ 7.4	$ 1.7	$ 40.5	$	$ 40.5
Operating income (loss)	$ 71.1	$ (15.0)	$ (2.1)	$ 54.0	$ (2.2)	$ 51.8

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Geographic Information

The following table sets forth certain geographic information concerning our U.S. and foreign net sales and ownership of property and equipment:

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)		(In millions)	
Net Sales:				
Inside the United States	$ 165.4	$ 234.8	$ 310.9	$ 430.8
Outside the United States:				
Asia Pacific (excluding China) (Australia, Hong Kong, India, Japan, Korea, New Zealand, Southeast Asia and Taiwan)	20.7	37.3	44.4	66.5
China (1)	24.7	12.3	41.3	16.0
EMEA (Europe (excluding Germany), Middle East and Africa)	37.2	68.9	76.1	139.2
Germany (1)	9.5	12.4	19.4	21.4
Americas (Canada, Central and South America)	17.6	27.5	37.3	48.4
Total net sales	$ 275.1	$ 393.2	$ 529.4	$ 722.3

Property and Equipment, Net:	
Inside the United States	$ 111.1
Outside the United States	57.8
Total property and equipment, net	$ 168.9

(1) Due to the significance of their net sales, China and Germany are broken out for geographic purposes.

Other than the U.S., no single country has property and equipment sufficiently material to disclose.

Note 11: Impairment, Restructuring and Other Disposal Charges

During the three and six months ended May 1, 2009 and May 2, 2008, we incurred restructuring charges associated with workforce reductions as well as the consolidation of excess facilities. For the three and six months ended May 1, 2009 and May 2, 2008, restructuring charges resulting from our actions, by category of expenditures, adjusted to exclude those activities specifically related to discontinued operations, are:

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)		(In millions)	
Impairments:				

Fixed asset write-downs	$ 0.3	$	$ 0.3	$
Goodwill and intangibles	0.4		413.9	
Total impairment charges	0.7		414.2	
Restructuring charges:				
Employee severance	7.5	0.9	7.5	2.0
Facilities consolidation and lease termination	(0.2)	0.1	0.3	0.2
Total restructuring charges	7.3	1.0	7.8	2.2
Other disposal charges: Inventory write-offs	0.6		0.6	
Total impairment, restructuring and other disposal charges	$ 8.6	$ 1.0	$ 422.6	$ 2.2

Impairment Charges: In the second quarter of fiscal 2009, we recorded charges of $0.3 million to write-off fixed assets related to the exiting of the Lexington, SC production facility. See Note 7 to the financial statements for a discussion of the $413.9 million impairment of goodwill and intangible assets.

Restructuring Charges: Restructuring charges include employee severance, pension plan payments, and facility consolidation costs resulting from the closure of leased facilities and other workforce reductions attributable to our efforts to reduce costs. During the three and six months ended May 1, 2009, 421 and 436 employees, respectively, affecting all business segments were impacted by reductions in force or participated in early retirement programs. During the three and six months ended May 2, 2008, 6 and 17 employees, respectively, in our Connectivity and Network Solutions segments were impacted by reductions in force. The costs of these reductions have been and will be funded through cash from operations. We had additional reductions in force impacting 303 employees during the second quarter of fiscal 2009, for which we did not incur restructuring charges.

Facility consolidation and lease termination expenses represent costs associated with our decision to consolidate and close duplicative or excess manufacturing and office facilities. During the three and six months ended May 1, 2009, we recorded a credit of $0.2 million and incurred charges of $0.3 million, respectively. During the three and six months ended May 2, 2008, we incurred charges of $0.1 million and $0.2 million, respectively. These charges were incurred due to our decision to close unproductive and excess facilities as well as to the continued softening of real estate markets, which resulted in lower sublease income.

Other Disposal Charges: During the second quarter of fiscal 2009, we recorded $0.6 million for the write-off of obsolete inventory related to the exiting of the Lexington, SC production facility. All inventory charges were recorded as cost of goods sold.

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The following table provides detail on our restructuring activity and the remaining accrual balance by category as of May 1, 2009:

Type of Charge	Accrual October 31, 2008	Continuing Operations Net Additions	Cash payments Charged to accrual	Accrual May 1, 2009
		(In millions)		
Employee severance costs	$ 8.6	$ 7.5	$ 9.6	$ 6.5
Facilities consolidation	8.1	0.3	1.3	7.1
Total restructuring accrual	$ 16.7	$ 7.8	$ 10.9	$ 13.6

Of the $6.5 million to be paid for employee severance costs, we expect that $3.0 million will be paid by the end of fiscal 2009 and that the remaining balance will be paid by the end of fiscal 2015. Of the $7.1 million to be paid for the consolidation of facilities, we expect that $0.8 million will be paid by the end of fiscal 2009 and that the remaining balance will be paid from unrestricted cash over the respective lease terms of the facilities through 2015. Based on our intention to continue to consolidate and close duplicative or excess manufacturing operations in order to reduce our cost structure, we may incur additional restructuring charges (both cash and non-cash) in future periods. These restructuring charges may have a material effect on our operating results.

Note 12: Other Income (Expense), Net

Other income (expense), net is:

	Three months ended		Six months ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)		(In millions)	
Interest income on investments	$ 1.9	$ 8.4	$ 5.7	$ 18.3
Interest expense on borrowings	(6.7)	(8.1)	(14.7)	(13.7)
Interest income (expense), net	(4.8)	0.3	(9.0)	4.6
Write-down of available-for-sale securities	(0.7)	(18.0)	(14.9)	(68.2)
Write-down of cost method investment			(3.0)	
Foreign exchange gain (loss)	(0.2)	2.1	(1.1)	3.1
Gain (loss) on sale of fixed assets	(0.2)		0.9	
Other, net	0.1	(0.3)	1.0	(0.3)
Subtotal	(1.0)	(16.2)	(17.1)	(65.4)
Total other income (expense), net	$ (5.8)	$ (15.9)	$ (26.1)	$ (60.8)

During the three and six months ended May 1, 2009, we recorded impairment charges of $0.7 million and $14.9 million, respectively, to reduce the carrying value of certain auction-rate securities we hold. During the three and six months ended May 2, 2008, these charges were $18.0 million and $68.2 million, respectively. As of May 1, 2009, we held auction-rate securities with a fair value of $26.7 million and an original par value of $169.8 million. We have determined that these impairment charges are other-than-temporary in nature in accordance with Emerging Issues Task Force (EITF) 03-1 and FSP 115-1 and 124-1, *The Meaning of Other-Than-Temporary Impairment and*

Its Application to Certain Investments. Given the current state of the credit markets, when we prepare our quarterly financial results we will continue to assess the fair value of our auction-rate securities for substantive changes in relevant market conditions, changes in financial condition or other changes in these investments. We may be required to record additional losses for impairment if we determine there are further declines in fair value that are other-than-temporary.

During the first quarter of 2009, we recorded a $3.0 million impairment to write-off our investment in E-Band Communications Corporation.

The $0.9 million gain on the sale of fixed assets recorded during the six months ended May 1, 2009 is primarily due to a $1.1 million gain recognized on the sale of our Cheltenham facility located in the U.K.

The change from net interest income for the three and six months ended May 2, 2008 to the net interest expense for the three and six months ended May 1, 2009 was predominately due to significantly lower interest income rates on cash investments.

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Note 13: Commitments and Contingencies

Legal Contingencies: We are a party to various lawsuits, proceedings and claims arising in the ordinary course of business or otherwise. Many of these disputes may be resolved without formal litigation. The amount of monetary liability resulting from the ultimate resolution of these matters cannot be determined at this time. As of May 1, 2009, we had recorded $6.2 million in loss reserves for certain of these matters. In light of the reserves we have recorded, at this time we believe the ultimate resolution of these lawsuits, proceedings and claims will not have a material adverse impact on our business, results of operations or financial condition. Because of the uncertainty inherent in litigation, however, it is possible that unfavorable resolutions of one or more of these lawsuits, proceedings and claims could exceed the amount currently reserved and could have a material adverse effect on our business, results of operations or financial condition.

Change of Control: We maintain certain employee benefits, including severance to key employees, in the event of a change of control of ADC.

Note 14: Common Stock Repurchase Plan

On August 12, 2008, our Board of Directors approved a share repurchase program for up to $150.0 million. The program provided that share repurchases could commence beginning in September 2008 and continue until the earlier of the completion of $150.0 million in share repurchases or July 31, 2009. In early December 2008, we completed this $150.0 million repurchase program at an average price of $7.04 per share, resulting in 21.3 million shares being purchased under the program.

Note 15: Fair Value Measurements

SFAS 157 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and assumptions that market participants would use when pricing the asset or liability.

Fair Value Hierarchy

SFAS 157 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. SFAS 157 establishes three levels of inputs that may be used to measure fair value:

Level 1

Level 1 applies to assets and liabilities for which there are quoted prices in active markets for identical assets or liabilities. Valuations are based on quoted prices that are readily and regularly available in an active market and do not entail a significant degree of judgment. Our assets utilizing Level 1 inputs include securities that are traded in an active market with sufficient volume and frequency of transactions, such as money market funds and other highly liquid instruments.

Level 2

Level 2 applies to assets and liabilities for which there are other than Level 1 observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data. Our liabilities utilizing Level 2 inputs include derivative instruments.

Level 2 instruments require more management judgment and subjectivity as compared to Level 1 instruments. For instance:

Determining which instruments are most similar to the instrument being priced requires management to identify a sample of similar securities based on the coupon rates, maturity, issuer, credit rating and instrument type, and subjectively select an individual security or multiple securities that are deemed most similar to the security being priced; and

Determining whether a market is considered active requires management judgment.

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Level 3

Level 3 applies to assets and liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities. The determination of fair value for Level 3 instruments requires the most management judgment and subjectivity. Our assets utilizing Level 3 inputs include auction-rate securities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis as of May 1, 2009 were (in millions):

		Fair Value Measurements at Reporting Date Using		
Description	**May 1, 2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Cash and cash equivalents	$ 462.3	$ 462.3	$	$
Available-for-sale securities	0.2	0.2		
Restricted cash	27.0	27.0		
Long-term available-for-sale securities	77.8	51.1		26.7
Total assets measured at fair value	$ 567.3	$ 540.6	$	$ 26.7
Liabilities:				
Interest rate swap liabilities (included in other accrued liabilities and other long-term liabilities)	11.8		11.8	
Mexican peso currency hedge liabilities (included in other accrued liabilities)	0.6		0.6	
Total liabilities measured at fair value	$ 12.4	$	$ 12.4	$

The following table provides detail on the activity in the auction-rate securities balance as of May 1, 2009 (in millions):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance as of October 31, 2008	$ 40.4
Total gains or losses (realized or unrealized)	
Included in earnings	(14.9)

Included in other comprehensive income	1.2
Purchases, issuance, and settlements	
Transfers in and /or out of Level 3	
Balance as of May 1, 2009	$ 26.7

Due to the failed auction status and lack of liquidity in the market for our long-term auction-rate securities, the valuation methodology we utilized includes certain assumptions that were not supported by prices from observable current market transactions in the same instruments nor were they based on observable market data. With the assistance of a valuation specialist, we estimated the fair value of the auction-rate securities based on: (1) the underlying structure of each security; (2) the present value of future principal and interest payments discounted at rates considered to reflect current market conditions; (3) consideration of the probabilities of default, passing auction, or earning the maximum rate for each period; and (4) estimates of the recovery rates in the event of defaults for each security. These estimated fair values could change significantly based on future market conditions.

Note 16: Derivative Instruments and Hedging Activities

As discussed in Note 1, we adopted the provisions of SFAS 161 on January 31, 2009. The provisions of SFAS 161 require entities to provide greater transparency through additional disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows.

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Our results of operations may be materially impacted by changes in interest rates and foreign currency exchange rates. In an effort to manage our exposure to these risks, we periodically enter into various derivative instruments, including interest rate hedges and foreign currency hedges. In accordance with SFAS 133 we are required to recognize all derivative instruments as either assets or liabilities at fair value on our consolidated balance sheets and to recognize certain changes in the fair value of derivative instruments in our consolidated statements of operations.

We perform, at least quarterly, both a prospective and retrospective assessment of the effectiveness of our hedge contracts, including assessing the possibility of counterparty default. If we determine that a derivative is no longer expected to be highly effective, we discontinue hedge accounting prospectively and recognize subsequent changes in the fair value of the hedge in earnings. As a result of our effectiveness assessment at May 1, 2009, we believe our hedge contracts will continue to be highly effective in offsetting changes in cash flow attributable to the hedged risk.

Cash flow hedges

For derivative instruments that are designated and qualify as cash flow hedges under SFAS 133, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income and reclassified into earnings in the same period during which the hedged transaction affects earnings. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized in other (expense) income in our consolidated statements of operations.

Our foreign currency management objective is to mitigate the potential impact of currency fluctuations on the value of our U.S. dollar cash flows and to reduce the variability of certain cash flows at the subsidiary level. We actively manage certain forecasted foreign currency exposures and use a centralized currency management operation to take advantage of potential opportunities to naturally offset foreign currency exposures against each other. The decision of whether and when to execute derivative instruments, along with the duration of the instrument, can vary from period to period depending on market conditions, the relative costs of the instruments and capacity to hedge. The duration is linked to the timing of the underlying exposure, with the connection between the two being regularly monitored. We do not use any financial contracts for trading purposes. At May 1, 2009, we had open Mexican peso hedge contracts with notional amounts totaling $17.2 million and an unrealized loss of $0.3 million. These contracts with maturities through December 2009, met the criteria for cash flow hedges and unrealized losses, after tax, are recorded as a component of accumulated other comprehensive income.

Interest rate swaps are entered into in order to manage interest rate risk associated with our variable-rate borrowings. We entered into the following interest rate swap agreement to manage exposures to fluctuations in interest rates by fixing the LIBOR interest rate as follows:

Year Swap entered into	Fixed Rate	Notional Amount	Expiration Date
2008	4.0%	$200,000,000	June 2013

This interest rate swap was designated as and met the criteria of a cash flow hedge. The fair value of the interest rate swap agreement on May 1, 2009 and October 31, 2008 was a liability of $11.8 million and $2.8 million, respectively.

We are exposed to foreign currency exchange risk as a result of changes in intercompany balance sheet accounts and other balance sheet items. At May 1, 2009 and October 31, 2008, these balance sheet exposures were mitigated through the use of foreign exchange forward contracts with maturities of approximately one month. These did not meet the criteria for hedge accounting. The fair value of these hedges was zero at May 1, 2009 and October 31, 2008.

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The following table provides detail on the activity of our derivative instruments as of May 1, 2009 (in millions):

Derivatives in SFAS 133 cash flow hedging relationships	Interest rate swap (1)	Mexican peso hedge (2)	Total
Balance as of October 31, 2008	$ (2.8)	$ 0.2	$ (2.6)
Amount of gain (loss) recognized in OCI on derivative (effective portion)	(10.5)	(1.3)	(11.8)
Amount of (gain) loss reclassified from OCI into income (effective portion) (3)	1.5	0.5	2.0
Balance as of May 1, 2009	$ (11.8)	$ (0.6)	$ (12.4)

(1) Short-term portion included in other accrued liabilities and long-term portion included in other long-term liabilities on the consolidated balance sheet. The short-term and long-term portions for May 1, 2009 were liabilities of $5.0 million and $6.8 million, respectively. The short-term and long-term portions for October 31, 2008 were liabilities of $2.0 million and $0.8 million, respectively.

(2) Assets are included in prepaid expenses and other current assets and

liabilities are included in other accrued liabilities on the consolidated balance sheet.

(3) Losses are reclassified to interest expense for the interest rate swap and cost of goods sold for the Mexican peso hedge.

For derivative and non-derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive income (loss) and reclassified into the income statement in the same period or periods during which the hedged transaction affects the income statement. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current income statement.

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As of May 1, 2009, we pledged $13.5 million of cash to secure the interest rate swap termination value, which is included in our restricted cash balance. This collateral amount could vary significantly as it fluctuates with the forward LIBOR.

We expect all of the $0.6 million unrealized loss on our Mexican peso hedge and approximately $4.9 million of unrealized loss on our interest rate swap at May 1, 2009, to be reclassified into the income statement within the next 12 months. The ineffective portion of the Mexican peso hedge was not material for the three months ended May 1, 2009.

The table below provides data about the amount of gains and losses recognized in income on derivative instruments not designated as hedging instruments (in millions):

Derivatives not designated as hedging instruments under SFAS 133		**Amount of gain (loss) recognized in income on derivative**			
	Location of gain (loss) recognized in income on derivative	**Three months ended**		**Six months ended**	
		May 1, 2009	**May 2, 2008**	**May 1, 2009**	**May 2, 2008**
Foreign currency hedges	Other income (expense), net	$ (1.3)	$ 0.2	$ 0.6	$ (0.7)

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading global provider of broadband communications network infrastructure products and related services. Our products offer comprehensive solutions that enable the delivery of high-speed Internet, data, video and voice communications over wireline, wireless, cable, enterprise and broadcast networks. These products include fiber-optic, copper and coaxial based frames, cabinets, cables, connectors and cards, wireless capacity and coverage solutions, network access devices and other physical infrastructure components. Our products and services are deployed primarily by communications service providers and owners and operators of private enterprise networks. Our products are used primarily in the last mile/kilometer of communications networks where Internet, data, video and voice traffic are linked from the serving office of a communications service provider to the end-user of communication services.

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We also provide professional services to our customers. These services help our customers plan, deploy and maintain Internet, data, video and voice communication networks. We also assist our customers in integrating broadband communications equipment used in wireline, wireless, cable and enterprise networks. By providing these services, we have additional opportunities to sell our hardware products.

Our customers consist primarily of long-distance and local communications service providers and private enterprises that operate their own communication networks. In addition, our customers include cable television operators, wireless service providers, new competitive telephone service providers, broadcasters, government agencies, system integrators and communications equipment manufacturers and distributors.

We offer broadband connectivity products, wireless capacity and coverage optimization products, wireline access products and professional services to our customers through the following three reportable business segments:

Connectivity

Network Solutions

Professional Services

During the fourth quarter of fiscal 2008, management initiated a restructuring of the Network Solutions segment by exiting several outdoor wireless product lines. During the first quarter of fiscal 2009, management made further changes to the Network Solutions segment by moving the Wireline solutions business to the Connectivity segment in order to better manage and utilize resources and drive profitability. As a result of this change, we have changed our reportable segments to conform to our current management reporting presentation. We have reclassified prior year segment disclosures to conform to the new segment presentation.

Our *Connectivity* products connect wireline, wireless, cable, enterprise and broadcast communications networks over copper (twisted pair), coaxial, fiber-optic and wireless media. These products provide the physical interconnections between network components and access points into networks.

Our *Network Solutions* products help improve coverage and capacity for wireless networks. These products improve signal quality, expand coverage and capacity into expanded geographic areas, increase the speed and expand the delivery and capacity of networks, and help reduce the capital and operating costs of delivering wireless services. Applications for these products include in-building solutions, outdoor coverage solutions and mobile network solutions.

Our *Professional Services* business provides integration services for broadband and multiservice communications over wireline, wireless, cable and enterprise networks. Our Professional Services business unit helps customers plan, deploy and maintain communications networks that deliver Internet, data, video and voice services.

Marketplace Conditions

Current Global Macro-Economic Conditions

The widely reported global recession has had, and likely will continue to have, a significant impact on our industry and our business. During the first two quarters of fiscal 2009 our financial results were impacted materially and adversely by lower than expected spending by our customers. We believe it is likely our customers will continue to spend conservatively throughout our fiscal 2009, and perhaps longer, because of the uncertainties regarding the profitability and growth of their own businesses. For this reason we continue to expect lower revenues in fiscal 2009 as compared to fiscal 2008, but the extent of the expected revenue decline is extremely difficult to predict and is dependent both on the severity of the recession and its length. These expectations therefore could fluctuate significantly and may impact our profitability. During the first two quarters of fiscal 2009, the recession impacted our business specifically in a number of ways. For instance:

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As compared to the three and six months ended May 2, 2008, our net sales decreased by 30.0% and 26.7%, respectively;

As a result of significant international sales, our net sales have been negatively impacted in recent quarters from the relative strengthening of the U.S. dollar against a majority of other currencies. Changes in foreign currency exchange rates negatively impacted sales in the three and six months ended May 1, 2009 by approximately $8.0 million and $24.0 million, respectively, versus the same periods in fiscal 2008;

Despite reducing actual expenditures for research and development and selling and administrative costs in the three and six months ended May 1, 2009 compared to the same periods in fiscal 2008, these costs grew as a percentage of our net sales because of lower sales volumes; and

Our gross margin percentage in the three and six months ended May 1, 2009 was 32.8% and 31.9%, respectively. This compares to 36.0% and 36.3% in the same respective periods in fiscal 2008, primarily because of lower sales volumes.

We recorded a $413.9 million charge related to the impairment of goodwill and other long-lived assets as a result of our reduced expectations of near-term financial performance.

In response to the adverse impacts on our business caused by the recession, we have taken significant steps to lower our operating cost structure. In the last several months we have announced a series of significant restructuring initiatives that are either completed or are still being executed. These initiatives generally have included facility closures and reductions in our employee base at various locations around the world. These actions were designed to adjust our operations appropriately to lower levels of demand from our customers. We also announced our intention to sell our professional services business in Germany and our plans to discontinue certain outdoor wireless coverage products. Depending on the severity and length of the recession and its impact on our business we may determine it appropriate to take additional actions to reduce costs and improve our business model in the future.

Industry Conditions

Longer term, we continue to believe that the ever-increasing consumption of bandwidth will drive a continued migration to next-generation networks that can deliver reliable broadband services at low, often flat-rate prices over virtually any medium anytime and anywhere. We believe this evolution particularly will impact the last mile/kilometer portion of networks where our products and services primarily are used and where constraints in the high-speed delivery of communications services are most likely to occur. For us to participate as fully as possible in this evolution we must focus on the development and sale of next-generation network infrastructure products.

We believe there are two key elements driving the migration to next-generation networks:

First, businesses and consumers worldwide are becoming increasingly dependent on broadband, multi-service communications networks to conduct a wide range of daily communications tasks for business and personal purposes (e.g., emails with large amounts of data, online gaming, video streaming and photo sharing). This demand for additional broadband services increases the need for broadband network infrastructure products.

Second, end-users of communications services increasingly expect to do business over a single network connection at a low price. Both public networks operated by communications service providers and private enterprise networks are evolving to provide combinations of Internet, data, video and voice services that can be offered over the same high-speed network connection.

This evolution to next-generation networks impacts our industry significantly. Many of our communications service provider customers have begun to focus their investments in these next-generation networks to differentiate themselves from their competitors by providing more robust services at increasing speeds. They believe such network advancements will attract business and consumer customers and allow them to grow their businesses.

Next-generation network investment by communications service providers has tended to come in the form of large, multi-year projects, and these significant projects have attracted many equipment vendors, including us. We believe

that it is important for us to participate in these projects to grow our business and have therefore focused our strategy around the products that help make these projects successful. These include central office fiber-based equipment, wireless coverage and capacity equipment, and equipment to aid the deployment of fiber-based networks closer to the ultimate customer (i.e., fiber to the node, curb, residence, cell site, or business, which we collectively refer to as our FTTX products).

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Communication service provider spending on these next-generation initiatives has not resulted in significant overall spending increases on all categories of network infrastructure equipment. In fact, spending on network infrastructure equipment in total has increased only modestly in recent years as our customers have reallocated their spending towards new next-generation initiatives and away from their legacy networks. Even prior to the current recession, industry observers anticipated that in the next few years overall global spending on communications infrastructure equipment would be relatively flat. Over the long-term, we therefore believe our ability to compete in the communications equipment marketplace depends in significant part on whether we can continue to develop and market effectively next-generation network infrastructure products.

Strategy

Given current economic conditions and our expectations about the marketplace in our industry, we believe we must focus on the following three priorities for us to compete effectively in our industry over the long-term.

First, we must grow our business in areas of strategic importance. This means increasing our business in high growth segments within
fiber-based and wireless communications networks with central office fiber, FTTX and wireless coverage and capacity product solutions. We will also focus on rapidly growing geographies, such as developing markets in China, Latin America, Eastern Europe and Russia, the Middle East and Africa, and India. We believe growth in these areas may come either from our own internal initiatives to expand our product offerings through research and development activities, additional sales, marketing and other operating resources, or from the acquisition of new products, sales channels and operations.

Our internal research and development efforts are focused on those areas where we believe we are most likely to achieve success and on projects that we believe directly advance our strategic aims. Our research and development projects have varying risk and reward profiles and we consistently monitor these efforts to ensure that they appropriately balance the potential opportunities against the investments required.

Several of our largest customers have engaged in consolidation to gain greater scale and broaden their service offerings. These consolidations create companies with greater market power which, in recent years, has placed significant pricing pressure on the products we and other equipment vendors sell. To better serve these larger customers, we believe it is appropriate for companies within our industry to consolidate in order to gain greater scale and position themselves to offer a wider array of products and we may engage in such activities. We also continually evaluate and monitor our existing business and product lines for growth and profitability potential and, when we believe appropriate, deemphasize or divest product lines and businesses that we no longer believe can advance our strategic vision or most effectively serve our customers needs.

Second, we are focused on developing ways to sell more of our current portfolio and our newly developed products to existing customers and to introduce our products to new customers. We have recently reorganized many of our sales and marketing activities around the types of customers we serve (e.g., carriers, enterprise, original equipment manufacturers, etc.). This differs from a historical alignment of our sales and marketing resources that was focused more narrowly on the product sets we sell. We believe this new market-based alignment will enable us to better understand and serve the needs of our customers.

We also continuously seek to partner with other companies as a means to serve the public and private communication network markets and to offer more complete solutions for our customers needs. Many of our connectivity products in particular are conducive to incorporation by other equipment vendors into systems level solutions. We also believe there are opportunities to sell more of our products through indirect sales channels, including systems integrators and value added resellers. In addition, we are expanding our relationships with distributors that make our products more readily available to a wider base of customers worldwide.

Third, we remain highly committed to creating a compelling value proposition for our customers. This includes helping our customers maximize their return on investment, evolve their networks and simplify network deployment and maintenance challenges. We strive to offer customer-specific solutions, price competitive products with high functionality and quality and world-class customer service and support that collectively will position us to grow our business in a cost-effective manner.

We also continue to implement initiatives as part of an overall program we call competitive transformation in order to improve the efficiency of our operations. Among other actions, these initiatives include:

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migrating sales volume to customer-preferred, leading technology products and sunsetting end of life products;

improving our customers ordering experience through a faster, simpler, more efficient inquiry-to-invoice process;

redesigning product lines to gain efficiencies from the use of more common components and improve customization capabilities;

increasing direct material savings from strategic global sourcing;

improving cash flow from supplier-managed inventory and lead-time reduction programs;

relocating certain manufacturing, engineering and other operations from higher-cost geographic areas to lower-cost areas;

conducting LEAN activities and implementing Six Sigma methodologies;

reducing the number of locations from which we conduct operations and general and administrative support functions; and

focusing our resources on core operations and, where appropriate, using third parties to perform non-core processes.

This program has yielded significant cost savings to our operations since fiscal 2006. These savings help generate leverage in our operating model and help to offset pricing pressures and unfavorable mixes in product sales that can have negative impacts on our operating results. Our ability to continue to implement our competitive transformation strategy is subject to numerous risks and uncertainties and no assurance can be given that this strategy will be successful. In addition, our gross profit percentages have and will continue to fluctuate from period to period based on several factors, including, but not limited to, raw material and freight costs, sales volume, product mix and the impact of future potential competitive transformation initiatives.

A more detailed description of the risks to our business can be found in Item 1A of our Annual Report on Form 10-K for the year ended October 31, 2008 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended January 30, 2009.

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Results of Operations

Net Sales

The following table shows net sales and expense items from continuing operations for the three and six months ended May 1, 2009 and May 2, 2008:

	Three months ended		Percentage Increase (Decrease) Between Periods
	May 1, 2009	May 2, 2008	
	(In millions)		
Net sales	$ 275.1	$ 393.2	(30.0)%
Cost of sales	185.0	251.7	(26.5)
Gross profit	90.1	141.5	(36.3)
Gross margin	32.8%	36.0%	
Operating expenses:			
Research and development	18.4	21.8	(15.6)
Selling and administration	66.1	84.9	(22.1)
Restructuring charges	7.3	1.0	630.0
Impairment charges	0.7		100.0
Total operating expenses	92.5	107.7	(14.1)
Operating income (loss)	(2.4)	33.8	(107.1)
Operating margin	(0.9)%	8.6%	
Other income (expense), net:			
Interest income, net	(4.8)	0.3	
Other, net	(1.0)	(16.2)	(93.8)
Income (loss) before income taxes	(8.2)	17.9	(145.8)
Provision for income taxes	1.4	1.9	(26.3)
Income (loss) from continuing operations	$ (9.6)	$ 16.0	(160.0)%

	Six months ended		Percentage Increase (Decrease) Between Periods
	May 1, 2009	May 2, 2008	
	(In millions)		
Net sales	$ 529.4	$ 722.3	(26.7)%
Cost of sales	360.6	460.4	(21.7)
Gross profit	168.8	261.9	(35.5)
Gross margin	31.9%	36.3%	
Operating expenses:			
Research and development	37.4	41.3	(9.4)

Selling and administration	138.0	166.6	(17.2)
Restructuring charges	7.8	2.2	254.5
Impairment charges	414.2		100.0
Total operating expenses	597.4	210.1	184.3
Operating income (loss)	(428.6)	51.8	(927.4)
Operating margin	(81.0)%	7.2%	
Other income (expense), net:			
Interest income, net	(9.0)	4.6	(295.7)
Other, net	(17.1)	(65.4)	(73.9)
Income (loss) before income taxes	(454.7)	(9.0)	
Provision (benefit) for income taxes	(2.6)	3.4	(176.5)
Income (loss) from continuing operations	$ (452.1)	$ (12.4)	%

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The following table sets forth our net sales for the three and six months ended May 1, 2009 and May 2, 2008 for each of our reportable segments:

Reportable Segment	Three months ended May 1, 2009	Three months ended May 2, 2008	Percentage Increase (Decrease) Between Periods
	(In millions)		
Connectivity	$ 219.1	$ 310.4	(29.4)%
Network Solutions:			
Products	15.6	30.8	(49.4)
Services	4.6	4.2	9.5
Total Network Solutions	20.2	35.0	(42.3)
Professional Services:			
Products	9.8	12.7	(22.8)
Services	26.0	35.1	(25.9)
Total Professional Services	35.8	47.8	(25.1)
Total Net Sales	$ 275.1	$ 393.2	(30.0)%

Reportable Segment	Six months ended May 1, 2009	Six months ended May 2, 2008	Percentage Increase (Decrease) Between Periods
	(In millions)		
Connectivity	$ 417.3	$ 567.9	(26.5)%
Network Solutions:			
Products	31.7	54.1	(41.4)
Services	8.8	9.7	(9.3)
Total Network Solutions	40.5	63.8	(36.5)
Professional Services:			
Products	19.3	24.8	(22.2)
Services	52.3	65.8	(20.5)
Total Professional Services	71.6	90.6	(21.0)
Total Net Sales	$ 529.4	$ 722.3	(26.7)%

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Our net sales decreases for the three and six months ended May 1, 2009 compared to the three and six months ended May 2, 2008 were driven by sales declines in all reporting segments. These decreases were due to the general downturn of the global economy, which increased in severity and extended across a majority of our geographies in the first two quarters of fiscal 2009. The current economic environment has driven customers to spend significantly less than they did in the first two quarters of fiscal 2008.

International sales comprised 39.9% and 41.3% of our net sales for the three and six months ended May 1, 2009, respectively. This compares to 40.3% and 40.4% for the three and six months ended May 2, 2008, respectively. As a result of significant international sales, our net sales have been negatively impacted in recent quarters from the relative strengthening of the U.S. dollar against a majority of other currencies. Changes in foreign currency exchange rates negatively impacted sales in the three and six months ended May 1, 2009 by approximately $8.0 million and $24.0 million, respectively, versus the same periods in fiscal 2008.

The three and six months ended May 1, 2009 included sales in Connectivity of $22.9 million and $38.2 million, respectively, as a result of the Century Man acquisition that closed during January 2008. This compares to $8.1 million and $9.6 million for the three and six months ended May 2, 2008, respectively. This increase was due to the inclusion of Century Man in our results for the full first quarter of fiscal 2009 and increased demand due largely to the Chinese government economic stimulus package and issuance of 3G wireless licenses.

The decrease in Network Solutions sales was driven, in part, by our decision to shutdown certain outdoor wireless product lines in the fourth quarter of fiscal 2008 as well as by significant declines in sales outside of North America that we believe are the result of the global recession.

Gross Margin

During the three and six months ended May 1, 2009, our gross margin percentages were 32.8% and 31.9%, respectively, compared to 36.0% and 36.3%, respectively, for the comparable 2008 periods.

The decrease in gross margins was primarily driven by the decrease in sales volume, partially offset by our cost reduction initiatives. The mix of products we sell can vary substantially. If sales volumes, product mix, pricing or other significant factors that impact our gross margins continue to be affected by the economic downturn, our gross margins could continue to be adversely affected. As a result, our future gross margin rate is difficult to predict with precision.

Operating Expenses

Total operating expenses for the three and six months ended May 1, 2009 represented 33.7% and 112.9% of net sales, respectively. Our fiscal 2009 year-to-date results include a $413.9 million impairment of goodwill and intangible assets. Total operating expenses represented 27.4% and 29.1% of net sales for the same fiscal 2008 periods, respectively. As discussed below, operating expenses include research and development, selling and administration expenses and restructuring and impairment charges.

Research and development: Research and development expenses for the three and six months ended May 1, 2009 represented 6.7% and 7.1% of net sales, respectively. For the three and six months ended May 2, 2008, these expenses represented 5.5% and 5.7% of net sales, respectively. This increase as a percent of sales is due to lower sales volumes. Research and development expenses decreased to $18.4 million and $37.4 million for the three and six months ended May 1, 2009, respectively, compared to $21.8 million and $41.3 million for the same fiscal 2008 periods. This decrease was a result of our cost reduction initiatives. Given the rapidly changing technological and competitive environment in the communications equipment industry, continued commitment to product development efforts will be required for us to remain competitive. Accordingly, we intend to continue to allocate substantial resources, as a percentage of our net sales, to product development. Most of our research will be directed towards projects that we believe directly advance our strategic aims in segments in the marketplace that we believe are most likely to grow.

Selling and administration: Selling and administration expenses for the three and six months ended May 1, 2009 represented 24.0% and 26.1% of net sales, respectively. For the three and six months ended May 2, 2008, these expenses represented 21.6% and 23.1% of net sales, respectively. This increase as a percent of sales is due to lower sales volumes. Selling and administration expenses decreased to $66.1 million and $138.0 million for the three and six months ended May 1, 2009, respectively, compared to $84.9 million and $166.6 million for the same fiscal 2008 periods. These decreases were primarily due to our cost reduction initiatives, which included headcount reductions

and significant decreases in discretionary spending, and a decrease in incentives and acquisition amortization.

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Restructuring charges: Restructuring charges include employee severance, pension plan payments, and facility consolidation costs resulting from the closure of leased facilities and other workforce reductions attributable to our efforts to reduce costs. During the three and six months ended May 1, 2009, 421 and 436 employees, respectively, affecting all business segments were impacted by reductions in force or participated in early retirement programs. Please refer to Part II, Item 5 for further discussion of our program to reduce operating costs in our EMEA region operations. During the three and six months ended May 2, 2008, 6 and 17 employees, respectively, in our Connectivity and Network Solutions segments were impacted by reductions in force. The costs of these reductions have been and will be funded through cash from operations. We had additional reductions in force impacting 303 employees during the second quarter of fiscal 2009, for which we did not incur restructuring charges.

Facility consolidation and lease termination expenses represent costs associated with our decision to consolidate and close duplicative or excess manufacturing and office facilities. During the three and six months ended May 1, 2009, we recorded a credit of $0.2 million and incurred charges of $0.3 million, respectively. During the three and six months ended May 2, 2008, we incurred charges of $0.1 million and $0.2 million, respectively. These charges were incurred due to our decision to close unproductive and excess facilities as well as to the continued softening of real estate markets, which resulted in lower sublease income.

Impairments: In accordance with the provisions of SFAS 142, we review goodwill annually for impairment, or more frequently if potential interim indicators exist that could result in impairment. Due to the current global recession and adverse business conditions that resulted in reduced estimates to our near-term cash flow estimates and a sustained decline in our market capitalization during the first quarter of fiscal 2009, we performed a goodwill impairment analysis of our two reporting units that contain goodwill, Connectivity and Network Solutions. In our analysis, the fair values of each of the reporting units were estimated for the purpose of goodwill impairment testing by applying the present value of forecasted future cash flows, using estimates, judgments and assumptions that management believed were appropriate for the circumstances. We also considered market approaches as well as the cost approach in estimating fair value. In performing the goodwill impairment analysis, we, among other things, consulted with an independent advisor.

In accordance with SFAS 144, long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying amount may not be recoverable. Based on recent business conditions, an impairment review of long-lived assets was performed in the first quarter of fiscal 2009. The review resulted in the recognition of an impairment charge related to the intangible assets of the Network Solutions segment. The fair value of the impaired assets was estimated for the purpose of impairment testing by applying the present value of forecasted future cash flows, using estimates, judgments and assumptions that management believed were appropriate for the circumstances. In preparing the estimated fair value of the impaired assets, we, among other things, consulted with an independent advisor.

As of our first quarter of fiscal 2009, we recorded an estimated impairment charge of $413.5 million to reduce the carrying value of goodwill and other long-lived intangibles. The estimated impairment includes $280.8 million of goodwill related to Connectivity and $85.4 million of goodwill and $47.3 million of intangibles related to Network Solutions. We finalized this analysis in connection with the preparation of our financial statements for the second quarter of fiscal 2009. We recognized an additional goodwill impairment of $0.4 million related to Connectivity in the three months ended May 1, 2009. We believe that our reduced estimates of near-term financial performance do not materially impact our liquidity position or our ability to execute our business strategy.

Other Income (Expense), Net

Other income (expense), net is:

	Three months ended		Six months ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
	(In millions)		(In millions)	
Interest income on investments	$ 1.9	$ 8.4	$ 5.7	$ 18.3
Interest expense on borrowings	(6.7)	(8.1)	(14.7)	(13.7)

Interest income (expense), net	(4.8)	0.3	(9.0)	4.6
Write-down of available-for-sale securities	(0.7)	(18.0)	(14.9)	(68.2)
Write-down of cost method investment			(3.0)	
Foreign exchange gain (loss)	(0.2)	2.1	(1.1)	3.1
Gain (loss) on sale of fixed assets	(0.2)		0.9	
Other, net	0.1	(0.3)	1.0	(0.3)
Subtotal	(1.0)	(16.2)	(17.1)	(65.4)
Total other income (expense), net	$ (5.8)	$ (15.9)	$ (26.1)	$ (60.8)

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During the three and six months ended May 1, 2009, we recorded impairment charges of $0.7 million and $14.9 million, respectively, to reduce the carrying value of certain auction-rate securities we hold. During the three and six months ended May 2, 2008, these charges were $18.0 million and $68.2 million, respectively. As of May 1, 2009, we held auction-rate securities with a fair value of $26.7 million and an original par value of $169.8 million. We have determined that these impairment charges are other-than-temporary in nature in accordance with EITF 03-1 and FSP 115-1 and 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.* Given the current state of the credit markets, when we prepare our quarterly financial results we will continue to assess the fair value of our auction-rate securities for substantive changes in relevant market conditions, changes in financial condition or other changes in these investments. We may be required to record additional losses for impairment if we determine there are further declines in fair value that are other-than-temporary.

During the first quarter of 2009, we recorded a $3.0 million impairment to write-off our investment in E-Band Communications Corporation.

The $0.9 million gain on the sale of fixed assets recorded during the six months ended May 1, 2009 is primarily due to a $1.1 million gain recognized on the sale of our Cheltenham facility located in the U.K.

The change from net interest income for the three and six months ended May 2, 2008 to the net interest expense for the three and six months ended May 1, 2009 was predominately due to significantly lower interest income rates on cash investments.

Income Taxes

Our tax expense of $1.4 million for the three months ended May 1, 2009 primarily relates to foreign income taxes, and our income tax benefit of $2.6 million for the six months ended May 1, 2009 primarily relates to reversal of deferred tax liabilities attributable to U.S. tax amortization of purchased goodwill from the acquisition of KRONE, partially offset by foreign income taxes. The reversal of these deferred tax liabilities result from the goodwill impairment charge discussed in Note 7 of the financial statements. Substantially all our income tax provision for the three and six months ended May 2, 2008 relates to foreign income taxes and deferred tax liabilities attributable to U.S. tax amortization of purchased goodwill from the acquisition of KRONE.

The following table represents our effective income tax rate:

	Three Months Ended		Six Months Ended	
	May 1, 2009	May 2, 2008	May 1, 2009	May 2, 2008
			(In millions)	
Income tax provision (benefit)	$ 1.4	$ 1.9	$ (2.6)	$ 3.4
Income (loss) before income taxes	$ (8.2)	$ 17.9	$(454.7)	$ (9.0)
Effective income tax rate	(17.1%)	10.6%	0.6%	(37.8%)

Our effective income tax rate is impacted by items discrete to the reporting period such as impairment charges on available-for-sale-securities and goodwill. No tax benefit was recorded for the impairment charges because the deferred tax asset created by the impairment charges has been offset by a full valuation allowance. The impact of these impairment charges on our effective tax rate is discrete to the period in which the impairment charge was recorded and will not impact our effective tax rate in future periods. Without these impairment charges the effective tax rate for the three and six months ended May 1, 2009 would have been (18.7%) and 11.4%, respectively, and for the three and six months ended May 2, 2008 the effective income tax rate would have been 5.3% and 5.7%, respectively. In addition, our effective income tax rate is affected by changes in the valuation allowance recorded for our deferred tax assets. See Note 8 to the financial statements for a description of the accounting standards related to our recording of the valuation allowance.

We do not record income tax benefits in most jurisdictions where we incur pretax losses because the deferred tax assets generated by the losses have been offset with a corresponding increase in the valuation allowance. Likewise, we do not record income tax expense in most jurisdictions where we have pretax income because the deferred tax assets utilized to reduce income taxes payable have been offset with a corresponding reduction in the valuation allowance.

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Acquisitions

LGC

On December 3, 2007, we completed the acquisition of LGC, a provider of in-building wireless solution products, headquartered in San Jose, California. These products increase the quality and capacity of wireless networks by permitting voice and data signals to penetrate building structures and by distributing these signals evenly throughout the building. LGC also offers products that permit voice and data signals to reach remote locations. The acquisition was made to enable us to participate in this high growth segment of the industry.

We acquired all of the outstanding capital stock and warrants of LGC for $143.3 million in cash (net of cash acquired). We acquired $58.9 million of intangible assets as part of this purchase. Goodwill of $85.4 million was recorded in this transaction and assigned to our Network Solutions segment. This goodwill is not deductible for tax purposes. We also assumed debt of $17.3 million associated with this acquisition, the majority of which was paid off by the second quarter of fiscal 2008. The results of LGC, subsequent to December 3, 2007, are included in our consolidated statements of operations.

Option holders of LGC shares were given the opportunity either to receive a cash payment for their options or exchange their options for options to acquire ADC shares. Certain LGC option holders received $9.1 million in cash payments for their options. The remaining option holders received ADC options with a fair value of $3.5 million as of the close of the acquisition. Of this $3.5 million, $3.0 million was added to the purchase price of LGC and the remaining $0.5 million will be recognized over the remaining vesting period.

Of the purchase price, $15.5 million was placed in escrow for up to 15 months following the close of the transaction. As of May 1, 2009, $2.7 million of the total escrow amount had been released to us to settle certain indemnity claims under the purchase agreement. The $2.7 million payment was accounted for as a return of consideration and decreased goodwill accordingly. We have reached an agreement with LGC to release to us an additional $1.2 million of escrow for the final settlement of certain indemnity claims. We expect to receive this release of escrow in the third quarter of fiscal 2009. Upon our receipt of the $1.2 million from the escrow, the remaining funds held in the escrow will be released to the former LGC shareholders and the escrow agreement will be terminated.

Century Man

On January 10, 2008, we completed the acquisition of Century Man, a leading provider of communication distribution frame solutions, headquartered in Shenzhen, China. The acquisition has accelerated our growth in the Chinese connectivity market, as well as provided us with additional products designed to meet the needs of customers in other developing markets outside of China.

We acquired Century Man for $52.3 million in cash (net of cash acquired). The former shareholders of Century Man may be paid up to an additional $15.0 million (the earn out) if, during the three years following closing, certain financial results are achieved by the acquired business. We paid the first $5.0 million installment of this earn out in March 2009. This amount had been accrued in the first quarter of fiscal 2009 and was recorded as an increase to the goodwill associated with this transaction. In addition, a $0.4 million payment was made to the former shareholders for the effect of changes in foreign exchange rates on the installment payment.

Of the purchase price, $7.5 million was placed in escrow for up to 24 months following the close of the transaction. Of the $7.5 million, $7.0 million relates to potential indemnification claims and $0.5 million relates to the disposition of certain buildings. As of May 1, 2009, $3.5 million of the total escrow amount had been released to the sellers. In addition, a $0.3 million payment was made to the sellers for the effect of changes in foreign exchange rates on the amount of escrow released as per the escrow agreement. This payment was accounted for as additional contingent consideration to the sellers and increased goodwill accordingly.

We acquired $13.0 million of intangible assets as part of this purchase. Goodwill of $36.7 million was recorded in this transaction and assigned to our Connectivity segment. This goodwill is not deductible for tax purposes. The results of Century Man, subsequent to January 10, 2008, are included in our consolidated statements of operations.

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The allocation of the purchase prices for LGC and Century Man to the assets and liabilities acquired was finalized in the first quarter of fiscal 2009 and did not result in any material adjustments. See Note 7 for a discussion of the goodwill and intangible impairments recorded in the first quarter of fiscal 2009.

Discontinued Operations

APS Germany

During the fourth quarter of fiscal 2008, our Board of Directors approved a plan to divest APS Germany. We classified this business as a discontinued operation in the fourth quarter of fiscal 2008. This business was previously included in our Professional Services segment. We expect to close on a sale of APS Germany in fiscal 2009.

Application of Critical Accounting Policies and Estimates

See our most recent Annual Report on Form 10-K for fiscal 2008 and our Quarterly Report on Form 10-Q for the quarter ended January 30, 2009 for a discussion of our critical accounting policies and estimates.

Liquidity and Capital Resources

Liquidity

Cash and cash equivalents not subject to restrictions were $462.3 million at May 1, 2009, a decrease of $169.1 million compared to $631.4 million as of October 31, 2008. This decrease was primarily driven by $94.1 million of stock repurchases, $51.4 million of long-term investment purchases and the payment of management and employee incentives related to performance for fiscal 2008.

During the second quarter of fiscal 2009, we purchased $51.4 million, including accrued interest, of unsecured notes backed by a guarantee from the Federal Deposit Insurance Corporation (FDIC). This investment is classified on the balance sheet as long-term available-for-sale securities.

Current capital market conditions have significantly reduced our ability to liquidate our remaining auction-rate securities. As of May 1, 2009, we held auction-rate securities with a fair value of $26.7 million and an original par value of $169.8 million, which are classified as long-term. We will not be able to liquidate any of these auction-rate securities until either a future auction is successful or, in the event secondary market sales become available, we decide to sell the securities in a secondary market. A secondary market sale of any of these securities could take a significant amount of time to complete and could potentially result in a further loss.

We have commenced arbitration against Merrill Lynch and its agent/broker who worked on our account in connection with their sale of auction-rate securities to us. The par value of the auction-rate securities at issue in our claim is approximately $138.0 million. We presently expect our arbitration hearing to take place during June 2010. Lehman Brothers sold us all other auction-rate-securities that we hold. We have made a claim in the Lehman Brothers bankruptcy proceeding with respect to these securities, however, we are uncertain whether we will recover any of our losses associated with these securities at this time.

Restricted cash balances that are pledged primarily as collateral for letters of credit and derivative transactions affect our liquidity. As of May 1, 2009, we had restricted cash of $27.0 million compared to $15.3 million as of October 31, 2008, an increase of $11.7 million. Restricted cash is expected to become available to us upon satisfaction of the obligations pursuant to which the letters of credit or guarantees were issued. The increase is a result of the pledging of $13.5 million of cash collateral relating to the interest rate swap. This amount pledged could vary significantly as it fluctuates with forward LIBOR.

Operating Activities

Net cash provided by operating activities from continuing operations for the six months ended May 1, 2009 was $9.5 million. Cash inflows included $490.7 million of non-cash adjustments to reconcile net loss from continuing operations to net cash provided by operating activities and a $51.5 million decrease in operating assets. These cash inflows were offset by $452.1 million loss from continuing operations and a $80.6 million decrease in operating liabilities. The non-cash adjustments of $490.7 million to reconcile net loss from continuing operations to net cash provided by operating activities includes $366.6 million of goodwill impairment, $47.3

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million of intangibles impairment and the $14.9 million impairment recorded on available-for-sale securities. Working capital requirements typically will increase or decrease with changes in the level of net sales. In addition, the timing of certain accrued incentive payments will affect the annual cash flow as these expenses are accrued throughout the fiscal year but paid during the first quarter of the subsequent year.

Net cash provided by operating activities from continuing operations for the six months ended May 2, 2008 was $55.3 million. This cash inflow was due to $118.2 million of non-cash adjustments to reconcile net loss from continuing operations to net cash provided by operating activities. This cash inflow was partially offset by a loss from continuing operations of $12.4 million, a $10.4 million increase in operating assets and a $40.1 million decrease in operating liabilities. The non-cash adjustments of $118.2 million to reconcile net loss from continuing operations to net cash provided by operating activities includes the $68.2 million impairment recorded on available-for-sale securities.

Investing Activities

Cash used by investing activities from continuing operations was $79.2 million for the six months ended May 1, 2009, which was due to $51.4 million of purchases of long-term investments, $18.4 million of property, patent and equipment additions and an increase in restricted cash of $11.6 million, partially offset by $4.5 million of proceeds from the disposal of property and equipment. Proceeds from the disposal of property primarily reflect the sale of our Cheltenham U.K. facility, for which we received $4.3 million of cash proceeds during the first quarter of fiscal 2009.

Cash used by investing activities from continuing operations was $188.5 million for the six months ended May 2, 2008, which was due to $146.0 million for the acquisition of LGC, $53.4 million for the acquisition of Century Man, a $4.0 million investment in ip.access, Ltd., a $1.2 million investment in E-Band Communications Corporation and $19.9 million of property, equipment and patent additions. This was partially offset by $35.0 million of net sales of available-for-sale securities.

Financing Activities

Cash used by financing activities from continuing operations was $96.0 million for the six months ended May 1, 2009, of which $94.1 million was due to common stock repurchases.

Cash provided by financing activities was $421.6 million for the six months ended May 2, 2008. This was due to the issuance of $450.0 million of convertible debt, less payments for the financing costs associated with the issuance of this debt.

Credit Facility

On January 30, 2009, we terminated the $200.0 million secured five-year revolving credit facility that we entered into in April 2008. This facility had no outstanding balances when it was terminated. As a result of the current economic environment and its impact on our financial results, we believed that the provisions of the agreement would need to be amended in order to maintain and utilize this facility. Based on our discussions with the lenders, we determined that the terms of an amendment as well as the ongoing cost of maintaining the facility were not economical. As a consequence of terminating our revolving credit facility, we recorded a non-operating charge of $1.0 million to write-off the deferred financing costs associated with the facility in the first quarter of fiscal 2009.

The assets that secured the facility also served as collateral for our interest rate swap on our $200.0 million convertible unsecured floating rate notes that mature in 2013. As a result of the facility s termination, we were required to pledge cash collateral to secure the interest rate swap. The fair market value of the interest rate swap was a net unrealized loss of $11.8 million and $2.8 million on May 1, 2009 and October 31, 2008, respectively. The unrealized loss is recorded as a component of comprehensive income.

Share Repurchase

On August 12, 2008, our Board of Directors approved a share repurchase program for up to $150.0 million. The program provided that share repurchases could commence beginning in September 2008 and continue until the earlier of the completion of $150.0 million in share repurchases or July 31, 2009. In early December 2008, we completed this $150.0 million repurchase program at an average price of $7.04 per share, resulting in 21.3 million shares being purchased under the program.

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Off-Balance-Sheet Arrangements and Contractual Obligations

We do not have any off-balance-sheet arrangements. There has been no material change in our contractual obligations out of the ordinary course of our business since the end of fiscal 2008. See our Annual Report on Form 10-K for the fiscal year ended October 31, 2008, for additional information regarding our contractual obligations.

Working Capital and Liquidity Outlook

Our main source of liquidity continues to be our unrestricted cash resources, which include existing cash and cash equivalents and liquid investments. We currently expect that our existing cash resources will be sufficient to meet our anticipated needs for working capital and capital expenditures to execute our near-term business plan. This expectation is based on current business operations and economic conditions and assumes we are able to maintain breakeven or positive cash flows from operations on an annual basis.

Auction-rate securities accounted for $26.7 million of our $77.8 million in available-for-sale securities as of May 1, 2009. Current capital market conditions have significantly reduced our ability to liquidate our auction-rate securities. However, we do not believe we need these investments in order to meet the cash needs of our present operating plans. The remaining $51.1 million of our available-for-sale securities represents highly liquid notes backed by a guarantee from the FDIC.

We also believe that our unrestricted cash resources will enable us to pursue strategic opportunities, including possible product line or business acquisitions. However, if the cost of one or more acquisition opportunities exceeds our existing cash resources, additional sources may be required. Any plan to raise additional capital may involve an equity-based or equity-linked financing, such as another issuance of convertible debt or the issuance of common stock or preferred stock, which would be dilutive to existing shareowners. As a result of terminating the $200.0 million revolving bank credit facility, our assets that previously secured the facility are no longer encumbered. Such assets could be used to raise liquidity through asset sales, securitizations, or a new lending facility. If we raise additional funds by issuing debt, we may be subject to restrictive covenants that could limit our operational flexibility and to higher interest expense that could dilute earnings per share.

In addition, our deferred tax assets, which are substantially reserved at this time, should reduce our income tax payable on taxable earnings in future years.

Cautionary Statement Regarding Forward Looking Information

The discussion herein, including, but not limited to, Management s Discussion and Analysis of Financial Condition and Results of Operations as well as the Notes to the Condensed Consolidated Financial Statements, contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements represent our expectations or beliefs concerning future events and are subject to certain risks and uncertainties that could cause actual results to differ materially from the forward looking statements. These statements may include, among others, statements regarding future sales, profit percentages, earnings per share and other results of operations; statements about shareholder value; expectations or beliefs regarding the marketplace in which we operate and the macro-economy generally; the prices of raw materials and transportation costs; the sufficiency of our cash balances and cash generated from operating and financing activities for our future liquidity; capital resource needs, and the effect of regulatory changes. These statements could be affected by a variety of factors, such as: demand for equipment by telecommunication service providers and large enterprises; variations in demand for particular products in our portfolio and other factors that can impact our overall margins; our ability to operate our business to achieve, maintain and grow operating profitability; changing regulatory conditions and macroeconomic conditions both in our industry and in local and global markets that can influence the demand for our products and services; fluctuations in the market value of our common stock, which can be caused by many factors outside of our control and could cause us to record additional impairment charges on our goodwill or other intangible assets in the future if our market capitalization drops further below the book value of our assets for a continued time period; consolidation among our customers, competitors or vendors that can disrupt or displace customer relationships; our ability to keep pace with rapid technological change in our industry; our ability to make the proper strategic choices regarding acquisitions or divestitures; our ability to integrate the operations of any acquired business; increased competition within our industry and increased pricing pressure from our customers; our dependence on relatively few customers for a majority of our

sales as well as potential sales growth in market segments we believe have the greatest potential; fluctuations in our operating results from quarter-to-quarter that can be caused by many factors beyond our control; financial problems, work interruptions in operations or other difficulties faced by customers or vendors that can impact our sales, sales

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collections and ability to procure necessary materials, components and services to operate our business; our ability to protect our intellectual property rights and defend against potential infringement claims; possible limitations on our ability to raise any additional required capital; declines in the fair value and liquidity of auction-rate securities we hold; our ability to attract and retain qualified employees; potential liabilities that can arise if any of our products have design or manufacturing defects; our ability to obtain and the prices of raw materials, components and services; our dependence on contract manufacturers to make certain products; changes in interest rates, foreign currency exchange rates and equity securities prices, all of which will impact our operating results; political, economic and legal uncertainties related to doing business in China; our ability to defend or settle satisfactorily any litigation; and other risks and uncertainties including those identified in the sections captioned Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended October 31, 2008 and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended January 30, 2009. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As disclosed in our Annual Report on Form 10-K for the year ended October 31, 2008, our major market risk exposure relates to adverse fluctuations in certain commodity prices, security prices and foreign currency exchange rates. We believe our exposure associated with these market risks has not changed materially since October 31, 2008.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the second quarter of fiscal 2009, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party to various lawsuits, proceedings and claims arising in the ordinary course of business or otherwise. Many of these disputes may be resolved without formal litigation. The amount of monetary liability resulting from the ultimate resolution of these matters cannot be determined at this time. As of May 1, 2009, we had recorded $6.2 million in loss reserves for certain of these matters. In light of the reserves we have recorded, at this time we believe the ultimate resolution of these lawsuits, proceedings and claims will not have a material adverse impact on our business, results of operations or financial condition. Because of the uncertainty inherent in litigation, however, it is possible that unfavorable resolutions of one or more of these lawsuits, proceedings and claims could exceed the amount currently reserved and could have a material adverse effect on our business, results of operations or financial condition.

ITEM 1A. RISK FACTORS

The discussion of our business and operations should be read together with the risk factors contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended October 31, 2008 and in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended January 30, 2009 filed with the SEC, which describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

See Part II, Item 4 of our Quarterly Report on Form 10-Q for our fiscal quarter ended January 30, 2009, for disclosure of the voting results for the matters submitted to a vote of our shareowners at our regularly scheduled annual meeting of shareowners held on March 4, 2009.

ITEM 5. OTHER INFORMATION

As part of our ongoing efforts to streamline our operations and reduce costs, we initiated a program during the second quarter of fiscal 2009 to reduce the number of our employees in the Europe, Middle East, Africa (EMEA) region. Under this program to date, we have offered certain employees in Germany the opportunity to accept early retirement. On June 2nd we made the decision to expand this program to further reduce costs in a number of our EMEA locations, primarily through additional early retirement offers, voluntary resignations and other reductions in force.

During our second quarter of fiscal 2009 approximately 20 German based employees have either signed agreements or agreed in principle to the terms of an early retirement. Under the expanded program, we ultimately expect workforce reductions to impact between 100 and 130 employees in EMEA. We expect these reductions in our employee base primarily will impact our Global Connectivity Solutions business and our Global Go-To-Market team.

During our second quarter of fiscal 2009 we incurred approximately $3.0 million in restructuring charges associated with the early retirement of Germany based employees. We presently estimate that between another $15 and $25 million in restructuring charges will be associated with our program to reduce our employee base In EMEA. We expect these additional charges will be incurred in our third and fourth quarters of fiscal 2009 as well as the first quarter of fiscal 2010. This estimated range is based on many factors, including estimates as to the number of employees at various locations who will cease to be employed by us and the compensation packages associated with the termination of their employment.

Almost all of these charges are expected to represent cash payments comprised of pension plan contributions and amounts paid as severance. We presently expect the restructuring charges associated with the program to be completed by the end of the first quarter of fiscal 2010. The payments associated with these charges will be made in EMEA over varying time periods that we presently expect, based on individual circumstances, may be as long as five years. We expect the restructuring plan to be completed during the first quarter of fiscal 2010.

ITEM 6. EXHIBITS

See Exhibit Index on page 38 for a description of the documents that are filed as exhibits to this Quarterly Report on Form 10-Q or incorporated by reference herein. Any document incorporated by reference is identified by a parenthetical referencing the SEC filing which included the document.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 4, 2009

ADC TELECOMMUNICATIONS, INC.

By: /s/ James G. Mathews
James G. Mathews
Vice President, Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

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ADC TELECOMMUNICATIONS, INC.
EXHIBIT INDEX TO FORM 10-Q
FOR THE THREE MONTHS ENDED MAY 1, 2009

Exhibit No.	Description
3.1	Restated Articles of Incorporation of ADC Telecommunications, Inc., conformed to incorporate amendments dated January 20, 2000, June 30, 2000, August 13, 2001, March 2, 2004 and May 9, 2005. (Incorporated by reference to Exhibit 3-a to ADC s Quarterly Report on Form 10-Q for the quarter ended July 29, 2005.)
3.2	Restated Bylaws of ADC Telecommunications, Inc. effective December 9, 2008 (incorporated by reference to Exhibit 3.1 of ADC s Current Report on Form 8-K filed on December 12, 2008).
4.1	Form of certificate for shares of Common Stock of ADC Telecommunications, Inc. (Incorporated by reference to Exhibit 4-a to ADC s Quarterly Report on Form 10-Q for the quarter ended April 29, 2005.)
4.2	Rights Agreement, as amended and restated as of May 9, 2007, between ADC Telecommunications, Inc. and Computershare Investor Services, LLC, as Rights Agent (which includes as Exhibit A, the Form of Certificate of Designation, Preferences and Right of Series A Junior Participating Preferred Stock, as Exhibit B, the Form of Right Certificate, and as Exhibit C, the Summary of Rights to Purchase Preferred Shares). (Incorporated by reference to Exhibit 4-b to ADC s Form 8-A/A filed on May 11, 2007.)
31.1	Certification of principal executive officer required by Exchange Act Rule 13a-14(a)*
31.2	Certification of principal financial officer required by Exchange Act Rule 13a-14(a)*
32	Certifications furnished pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith