ADC TELECOMMUNICATIONS INC
Form 10-K
November 23, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

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

For the fiscal year ended September 30, 2010.

OR

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

For the transition period from _______ to _______.

Commission File No. 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, Minnesota	**55344-2252**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:
(952) 938-8080

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered:
Common Stock, $.20 par value	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. þ Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes þ No

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 such shorter period that the registrant was required to submit and post such files) o Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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 (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of voting and non-voting stock held by non-affiliates of the registrant based on the last sale price of such stock as reported by The NASDAQ Global Select Market® on April 2, 2010, was $707,383,971.

The number of shares outstanding of the registrant s common stock, $0.20 par value, as of November 19, 2010, was 97,155,925.

DOCUMENTS INCORPORATED BY REFERENCE

None

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Introductory Note

On July 12, 2010, we entered into an Agreement and Plan of Merger with Tyco Electronics Ltd., a Swiss company, and its indirect subsidiary, Tyco Electronics Minnesota, Inc. (each such company individually as well as collectively, Tyco Electronics), which was amended as of July 24, 2010. Pursuant to that merger agreement, on July 26, 2010, Tyco Electronics commenced a tender offer to purchase all of our outstanding shares of common stock at a purchase price of $12.75 per share in cash. The closing of the transaction has not yet taken place, although we presently expect it will occur during the current calendar quarter. For more information on the transactions contemplated by the merger agreement, please refer to ADC s Schedule 14D-9 filed with the United States Securities and Exchange Commission (the SEC) on July 26, 2010, as well as the various amendments to Schedule 14D-9, which are available online at www.sec.gov.

PART I

Item 1. ***BUSINESS***

General

ADC Telecommunications, Inc. (ADC, we, us or our) was incorporated in Minnesota in 1953 as Magnetic Cont Company. We adopted our current name in 1985. Our World Headquarters are located at 13625 Technology Drive in Eden Prairie, Minnesota. Our telephone number is (952) 938-8080.

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 mainly in the edge 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. Our products include:

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

Wireless solutions that help improve coverage and capacity for wireless networks. These products improve signal quality, increase 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.

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 products.

We have the following three reportable business segments:

Global Connectivity Solutions (Connectivity)

Network Solutions

Professional Services

Our corporate website address is www.adc.com. In the Financial Information category of the Investor Relations section of our website, we make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports available free of charge as soon as reasonably practicable after these reports are filed with or furnished to the SEC. The

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Corporate Governance category of the Investor Relations section of our website also contains copies of our Financial Code of Ethics, our Principles of Corporate Governance, our Global Business Conduct Program, our Articles of Incorporation and Bylaws, Description of Roles of Independent Lead Director and Executive Chairman and the charter of each committee of our Board of Directors. Each of these documents can also be obtained free of charge (except for a reasonable charge for duplicating exhibits to our reports on Forms 10-K, 10-Q or 8-K) in print by any shareowner who requests them from our Investor Relations department. The Investor Relations department s email address is investor@adc.com and its mailing address is: Investor Relations, ADC Telecommunications, Inc., P.O. Box 1101, Minneapolis, Minnesota 55440-1101. Information on our website is not incorporated by reference into this report or any other report we file with or furnish to the SEC.

Industry and Marketplace Conditions

Over the longer-term, we believe that the ever-increasing consumption of bandwidth will continue to drive an ongoing 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 edge of the network 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 a significant amount of our resources 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 (*e.g.*, emails with large amounts of data, teleconferencing, social networking, video streaming and photo sharing).

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 economically over the same high-speed network.

This evolution to next-generation networks impacts our industry significantly. Many of our communications service provider customers now 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, which 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 therefore have focused our strategy on the products that will be used in these projects. 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).

Spending on these next-generation initiatives by our customers has not resulted in significant aggregate overall spending increases on all categories of network infrastructure equipment. This is because spending on mature, legacy products has decreased over time. We therefore believe our ability to compete effectively in the communications equipment marketplace depends in significant part on whether we can continue to develop and market next-generation network infrastructure products to drive growth in our business.

Current Global Macro-Economic Conditions

We believe there are indicators that certain geographies and markets around the world are emerging from the adverse impacts of the global economic downturn, although the timing, strength and continuity of a global economic recovery all remain uncertain. During the economic downturn we took steps, and we continue to take steps, to lower our operating cost structure. We believe these steps were necessary to align our business with the changing market conditions globally. Longer-term, we believe that our lower cost structure will build leverage into our operating model without significantly compromising our ongoing investment for the future. The actions we have taken include reductions in our global work force, an increased use of resources in low cost locations, and the consolidation of facilities and activities. We also have realigned and refocused our resources on our most strategic initiatives through the rationalization or sale of certain non-strategic product and service offerings.

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Strategy

Market Goals

Over the past few years, central office and outside plant (FTTX) fiber-based products have become a greater percentage of our sales as service providers focus on building out their fiber-based networks closer to the end user, as well as on providing more network capacity to support bandwidth intensive 3G and 4G wireless services. Maintaining and growing our position as a leading global provider of central office fiber and FTTX solutions is therefore important to our strategy and long-term success.

In addition, we believe that service providers and enterprises around the world want to expand the coverage and capacity of wireless networks more efficiently by strategically deploying microcellular network solutions. This is especially applicable inside buildings and in capacity-strained outdoor areas that are poorly served by macro-cellular network solutions such as cell towers. We believe that our microcellular network solutions that distribute coverage and capacity to targeted areas will help service providers and enterprises achieve these goals.

The migration to high performance fiber-based enterprise networks and data centers within public and private organizations also represents an ongoing opportunity for our solutions. Today s advanced business requirements mean that organizations are rethinking the entire enterprise infrastructure to utilize new technologies for their mission-critical applications. We believe that our products provide organizations with comprehensive end-to-end solutions to help them meet their need for reliable, high-bandwidth networks.

Finally, in addition to targeting growth in these fiber-based and wireless market segments, we will also seek to expand our presence in growing markets in developing countries around the world. We expect communications spending rates in developing countries to outpace such rates in more developed parts of the world for the foreseeable future. In China and other targeted, developing countries, for example, we expect our Century Man product portfolio to benefit from significant public and private sector investment in fiber-based wireline and wireless networks.

Business Priorities

Given conditions in the global economy and our industry, we believe we must continue to focus on the following business priorities to advance our market goals:

- Business growth in fiber-based wireline and wireless communications networks, as well as in growing markets and geographies;

- Operational excellence that drives low-cost industry leadership and provides our customers with superior products and support; and

- High levels of customer service and focus through alignment with the next generation network needs of our global customer base.

Business Growth in Areas of High Strategic Importance. We are focused on growing our business in markets and geographies we consider to be of high strategic importance. We will service these high growth market segments, which are largely within fiber-based wireline and wireless communications networks, with central office fiber, FTTX, enterprise data center fiber and microcellular wireless coverage and capacity product solutions. We will also focus on markets in developing countries.

In the event our proposed acquisition by Tyco Electronics does not close, we may pursue growth either through making internal investments or by pursuing strategic transactions.

Operational Excellence and Low Cost Industry Leadership. We continue to implement initiatives designed to better align our business with changing macro-economic and market conditions. We believe this will enable us to meet the needs of our global customer base more efficiently and effectively. These initiatives are designed to reduce our operating cost structure and improve organizational efficiency through a variety of actions that include, among others, relocating certain manufacturing, engineering and other operations from higher-cost geographic areas to lower-cost areas and implementing new operating methods designed to drive increased operational efficiencies.

These initiatives have yielded significant ongoing cost savings to our operations and have allowed us to manage effectively through the global economic downturn. For instance, during fiscal 2010, we increased our gross margin percentages as compared to those in fiscal 2009 due to the impact of these initiatives on our cost structure, increased sales volume, and an improved product mix. These savings have helped to generate leverage in our operating model and offset pricing pressures and unfavorable mixes in product sales that can have negative impacts on our operating results. Our ability to continue to implement these initiatives is subject to numerous risks and uncertainties and no assurance can be given that this strategy will continue to be successful. Our gross profit percentages will continue to fluctuate from period to period due to several factors, including, but not limited to, sales volume, raw material and freight costs, product mix and the impact of future potential efficiency and cost saving initiatives.

Improved Customer Service and Focus. We remain highly committed to creating a compelling value proposition for our customers. This includes helping our customers maximize their return on investment, expand capacity in their networks and simplify deployment challenges in providing communications services to end-users. 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 better position us to grow our business in a cost-effective manner. We also 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. The cornerstone of these initiatives is our commitment to understand and respond to our customers needs.

We also 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 a systems-level solution. We also believe there are opportunities for us to sell more of our products through indirect sales channels, including systems integrators and value-added resellers. We have over 500 value-added reseller partners worldwide. In addition, we are expanding our relationships with distributors to make our products more readily available to a wider base of customers globally.

Our ability to implement this strategy and operate our business effectively is subject to numerous uncertainties, the most significant of which are described in Part 1, Item 1A Risk Factors in this report.

Product and Service Offering Groups

The following table shows the percent of net sales for each of our three reportable segments for the three fiscal years ended September 30, 2010, September 30, 2009 and October 31, 2008:

Reportable Segment	2010	2009	2008
Connectivity	75.3%	79.5%	79.8%
Network Solutions	9.8	6.7	7.6
Professional Services	14.9	13.8	12.6
Total	100.0%	100.0%	100.0%

Below we describe the primary products and services offered by each of these segments. See Note 15 to the Consolidated Financial Statements in Item 8 of this report for financial information regarding our three business segments as well as information regarding our assets and sales by geographic region.

Connectivity

Our connectivity products connect wireline, wireless, cable, enterprise and broadcast communications networks over fiber-optic, copper (twisted pair), coaxial and wireless media. These products generally provide the physical interconnections between network components and access points into networks. As of September 30, 2010, our Connectivity products included:

FTTX Products. Our OmniReach[tm] product family of fiber distribution terminals, fiber access terminals, passive optical splitter modules, wavelength division multiplexer modules, connectors, enclosures and drop cables provide customers with a flexible architecture to deploy FTTX solutions.

Fiber Distribution Panels and Frame Products. Our fiber distribution panels and frames, which are functionally similar to copper cross-connect modules and bays, provide interconnection points between fiber-optic cables entering a service provider s serving office and fiber-optic cables connected to fiber-optic equipment within the serving office.

DSX and DDF Products. Our digital signal cross-connect (DSX) and digital distribution frame (DDF) modules, panels and bays are designed to terminate and cross-connect copper cables and gain access to digital signals for Internet, data, video and voice transmission. We offer DSX and DDF products to meet global market needs for both twisted-pair and coaxial cable solutions.

Structured Cabling Products. Our TrueNet® structured cabling products are the cables, jacks, plugs, jumpers, frames and panels used to connect desk top systems like personal computers to the network switches and servers in large enterprise campuses, high-rise buildings and data centers. Our TrueNet® cabling products include various generations of twisted-pair copper cable and apparatus capable of supporting varying bandwidth requirements, as well as multi-mode fiber systems used primarily to interconnect switches, servers and commercial campus locations.

Broadcast and Entertainment Products. Our broadcast and entertainment products are audio, video, data patching and connectors used to connect and access worldwide broadcast radio and television networks. Our Pro-Patch® products are recognized as the industry leader in digital broadcast patching. Our ProAx® triaxial connectors are used by operators of mobile broadcast trucks, DBS satellite and large venue, live broadcasts such as the Olympic games. We have also introduced a new line of HDTV products for the digital broadcast industry.

Network Solutions

Our Network Solutions products help improve coverage and capacity for wireless networks and broadband access for wireline networks. As of September 30, 2010, our Network Solutions products include:

In-building Wireless Coverage/Capacity Solutions. Our family of indoor wireless systems products provide coverage and capacity for wireless network operators in in-building environments such as office buildings or college campuses. We sell these solutions directly to the major providers of mobile telephone services, to national and regional carriers, including those in rural markets, enterprise markets and to neutral host facility providers that lease or resell coverage and capacity to the mobile carriers.

Outdoor Wireless Coverage/Capacity Solutions. Our family of outdoor wireless systems products provides coverage and capacity for wireless network operators in underserved outdoor metro and expanded venue environments such as open-air stadiums. These solutions also help customers address coverage and capacity challenges in locations such as tunnels, traffic corridors and urban centers. These solutions are sold directly to the major providers of mobile telephone services, to national and regional carriers, including those in rural markets, and to neutral host facility providers that lease or resell coverage and capacity to the mobile carriers.

Professional Services

We also offer systems integration services primarily in North America for broadband, multiservice communications over wireline, wireless and cable. These services help our customers plan, deploy and maintain communications networks that deliver Internet, data, video and voice services to consumers and businesses. These services support customers throughout the technology life-cycle, including network design, build-out, turn-up, and on-going testing, and are utilized by our customers in creating and maintaining intra-office, inter-office or coast-to-coast networks. Providing these services gives us the opportunity to sell more of our products to users of our Professional Services.

Customers

Our products and services are used by customers in three primary markets:

- the public communications network market worldwide, which includes major telephone companies such as Verizon, AT&T, Sprint, Telefonica, Deutsche Telecom and Bell Canada, local telephone companies, long-distance carriers, wireless service providers, cable television operators and broadcasters;

- the private and governmental markets worldwide, which include business customers and governmental agencies that own and operate their own Internet, data, video and voice networks for internal use; and

- other communications equipment vendors, which incorporate our products into their products and systems that they in turn sell into the above markets.

Our customer base is concentrated, with our top ten customers accounting for 45.8%, 45.5% and 45.4% of our net sales in fiscal 2010, 2009 and 2008, respectively. In fiscal 2010, 2009 and 2008, AT&T accounted for approximately 25.9%, 20.5%, and 18.3% of our net sales, respectively. Verizon accounted for 12.6%, 17.8% and 17.9% of our net sales in fiscal 2010, 2009 and 2008, respectively.

Our non-U.S. net sales accounted for approximately 39.4%, 40.6% and 41.0% of our net sales in fiscal 2010, 2009 and 2008, respectively. In fiscal 2010, our APAC region (Asia and Indo-Pacific) accounted for the largest percentage of sales outside of North America and represented 17.1% of our net sales. In fiscal 2009 and 2008, our EMEA region (Europe, Middle East and Africa) accounted for the largest percentage of sales outside of North America and represented 17.2% and 21.1% of our net sales, respectively.

Our direct sales force builds demand for our products and services and completes the majority of our sales. We maintain sales offices throughout the world. In the United States, our products are sold directly by our sales personnel as well as through value-added resellers, distributors and manufacturers representatives. Outside the United States, our products are sold directly by our field sales personnel and by independent sales representatives and distributors, as well as through other public and private network providers that distribute products. Nearly all of our sales to enterprise network customers are conducted through third-party distributors.

We maintain a customer service group that supports our field sales personnel and our third-party distributors. The customer service group is responsible for application engineering, customer training, entering orders and supplying delivery status information. We also have a field service-engineering group that provides on-site service to customers.

Research and Development

Given the constant evolution of technology in our industry, we believe it is important to develop new products so we can continue to meet our customers needs. We continually review and evaluate technological changes affecting our industry and invest in applications-based research and development. The focus of our research and development activities will change over time based on customer needs and industry trends as well as our decisions regarding those areas where we believe we are most likely to achieve success and advance our strategic aims. Our current projects have varying risk and reward profiles. As part of our longer-term strategy, we intend to continue an ongoing program of new product development that combines internal development efforts with acquisitions and strategic alliances within spaces that are closely related to our core businesses.

Our expenses for internal research and development activities were $69.7 million, $60.1 million and $76.2 million in fiscal 2010, 2009 and 2008, respectively, which represented 6.0%, 6.1% and 5.3% of our total revenues in each of those fiscal years.

During fiscal 2010, we directed our development activities primarily in the areas of:

- fiber connectivity products for FTTX initiatives and central office applications;
- high-performance structured cables, jacks, plugs, jumpers, frames and panels to enable the use of increasingly higher-performance IP network protocols within private networks; and
- wireless coverage and capacity solutions that enable our customers to optimize their network coverage.

Competition

Currently, our primary competitors include:

- *For Connectivity products:* 3M, CommScope, Corning, Panduit and Tyco Electronics.
- *For Network Solutions products:* CommScope, Mobile Access, Powerwave, and Alcatel-Lucent.
- *For Professional Services:* AFL Telecommunications, Alcatel-Lucent, Emerson, Mastec and Telamon.

Competition in the communications equipment industry is intense. We and other equipment vendors are competing for the business of fewer and larger customers due to industry consolidation over the past several years. As these customers become larger, they have more buying power and are able to negotiate lower pricing. In addition, there are rapid and extensive technological developments within the communications industry that can and have resulted in significant changes to the spending levels and trends of these large customers, which further drives competition among equipment vendors.

We believe that our success in competing with other communications product manufacturers in this environment depends primarily on the following factors:

- our long-term customer relationships;
- our brand recognition and reputation as a financially-sound, long-term supplier to our customers;
- our engineering (research and development), manufacturing, sales and marketing skills;
- the price, quality and reliability of our products;
- our delivery and service capabilities; and
- our ability to contain costs.

Manufacturing and Suppliers

We manufacture a variety of products that are fabricated, assembled and tested in facilities around the world. In an effort to reduce costs and improve customer service, we generally attempt to manufacture our products in low cost areas located in the region of the world where they will be deployed. We also utilize several outsourced manufacturing companies to manufacture, assemble and test certain of our products. We estimate that products manufactured by these companies accounted for approximately 3.6% of our aggregate net product sales for the Connectivity and Network Solutions segments of our business in fiscal 2010.

We purchase raw materials and component parts from many suppliers located around the world through a global sourcing group. Although some of these items are single-sourced, we have not experienced any significant difficulties to date in obtaining adequate quantities to support customer demand. During fiscal 2010, we experienced net inflation in raw materials, primarily due to increases in several commodity markets but partially offset by our internal efficiency efforts and strategic sourcing partner selection. Looking to fiscal 2011, we expect that global economic conditions and supply and demand shifts will continue to have an adverse effect on the pricing of commodities. In addition, to the degree that certain regions experience an economic recovery, supply could tighten, providing additional upward price pressure. Circumstances relating to the availability and pricing of materials could change and our ability to mitigate price increases or to take advantage of price decreases in the future will depend upon a variety of factors, such as our purchasing power and the purchasing power of our customers.

Intellectual Property

We own a large portfolio of U.S. and foreign patents relating to our products. These patents, in the aggregate, constitute a valuable asset as they allow us to sell unique products and provide protection from our competitors selling similar products. We do not believe, however, that our business is dependent upon any single patent or any particular group of related patents.

Additionally, we hold a large portfolio of U.S. and foreign trademarks. For example, we registered the initials ADC as well as the name KRONE, each alone and in conjunction with specific designs, as trademarks in the United States and various foreign countries. U.S. trademark registrations generally are for a term of ten years and are renewable every ten years as long as the trademark is used in the regular course of trade.

Seasonality

Due to the change in our fiscal year end that was completed in fiscal 2009, our fiscal quarters now end near the last day of December, March and June and our fiscal year ends on September 30th.

The number of sales days for each of our quarters in fiscal 2010 was: 62 days in the first quarter, 65 days in the second quarter, 64 days in the third quarter and 62 days in the fourth quarter. The number of sales days for each of our quarters in fiscal 2009 was: 58 days in the first quarter, 65 days in the second quarter, 63 days in the third quarter and, because of our transition to a September 30th fiscal year end, 42 days in the fourth quarter.

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Employees

As of September 30, 2010, we employed approximately 9,300 people worldwide, which is an increase of approximately 250 employees since September 30, 2009. The increase in headcount is due primarily to supporting customer demand in our Professional Services business and investment in certain strategic initiatives.

Executive Officers of the Registrant

Our executive officers are:

Name	Office	Officer Since	Age
Robert E. Switz	Chairman, President and Chief Executive Officer	1994	64
James G. Mathews	Vice President, Chief Financial Officer	2005	59
Patrick D. O Brien	Vice President, President, Global Connectivity Solutions Business Unit	2002	47
Kimberly S. Hartwell	Vice President, Global Go-To-Market	2008	48
Richard B. Parran, Jr.	Vice President, President, Network Solutions Business Unit	2006	54
Christopher Jurasek	Vice President, President, Professional Services Business Unit, Chief Information Officer	2009	45
Steven G. Nemitz	Vice President and Controller	2007	36
Laura N. Owen	Vice President, Chief Administrative Officer	1999	54
Jeffrey D. Pflaum	Vice President, General Counsel and Secretary	1999	51

Mr. Switz joined ADC in January 1994 as ADC s Chief Financial Officer. He served in this capacity until he was appointed as our Chief Executive Officer in August 2003. He was appointed Chairman of our Board of Directors in July 2008. From 1988 to 1994, Mr. Switz was employed by Burr-Brown Corporation, a manufacturer of precision micro-electronics. His last position at Burr-Brown was as Vice President, Chief Financial Officer and Director, Ventures and Systems Business.

Mr. Mathews joined ADC in 2005 as our Vice President and Controller. He served in this capacity until he was appointed as our Chief Financial Officer in April 2007. From 2000 to 2005 Mr. Mathews served as Vice President-Finance and Chief Accounting Officer for Northwest Airlines, which filed for Bankruptcy Reorganization under Chapter 11 in U.S. Bankruptcy Court in September 2005. Prior to joining Northwest Airlines, Mr. Mathews was Chief Financial and Administrative Officer at CARE-USA, the world s largest private relief and development agency. Mr. Mathews also held a variety of positions at Delta Air Lines, including service as Delta s Corporate Controller and Corporate Treasurer.

Mr. O Brien joined ADC in 1993 as a product manager for the company s DSX products. During the following eight years, he held a variety of positions of increasing responsibility in the product management area, including Vice President and General Manager of copper and fiber connectivity products. Mr. O Brien served as President of our Copper and Fiber Connectivity Business Unit from October 2002 to May 2004. From May 2004 through August 2004, Mr. O Brien served as our President and Regional Director of the Americas Region. He was named President of ADC s Global Connectivity Solutions Business Unit in September 2004. Prior to joining ADC, Mr. O Brien was employed by Contel Telephone for six years in a network planning capacity.

Ms. Hartwell joined ADC in July 2004 as Vice President of Sales, National Accounts and became Vice President, Go-To-Market Americas in 2007. She became Vice President, Global Go-To-Market in July 2008. In this role, she leads our sales, marketing, customer service and technical support functions worldwide. Prior to joining ADC, Ms. Hartwell was Vice President of Marquee Accounts at Emerson Electric Corporation, a manufacturer of electrical, electronic and other products for consumer, commercial, communications and industrial markets from June 2003 to June 2004.

Mr. Parran joined ADC in November 1995 and served in our business development group. From November 2001 to November 2005 he held the position of Vice President, Business Development. In November 2005, Mr. Parran became the interim leader of our Professional Services Business Unit and in March 2006 he was appointed Vice President, President, Professional Services Business Unit. In January 2009, he was named President of our Network Solutions Business Unit. Prior to joining ADC, Mr. Parran served as a general manager of the business services telecommunications business for Paragon Cable and spent 10 years with Centel in positions of increasing responsibility in corporate development and cable and mobile operations roles.

Mr. Jurasek joined ADC in May 2007 as our Chief Information Officer. In this position, he oversees ADC s information systems worldwide. In January 2009, he was also named President of ADC Professional Services. In this role, he leads the company s services business that helps network operators plan, deploy and maintain their networks. Prior to joining ADC, Mr. Jurasek served as Vice President and Chief Information Officer at Rexnord Corporation, a global industrial and aerospace equipment manufacturer, from September 2002 to May 2007. Prior to that, he held a variety of IT management positions at Solo Cup Company, Komatsu Dresser Company, and Dana Corporation.

Mr. Nemitz joined ADC in January 2000 as a financial analyst. In September 2002, Mr. Nemitz left ADC to work for Zomax Incorporated, a provider of media and supply chain solutions, where he held the position of Corporate Accounting Manager. In September 2003, Mr. Nemitz returned to ADC as a Corporate Finance Manager. He became the Finance Manager of our Global Connectivity Solutions business unit in October 2004, Americas Region Controller in November 2005 and Assistant Corporate Controller in August 2006. In May 2007, he began service as our Corporate Controller.

Ms. Owen joined ADC as Vice President, Human Resources in December 1997. In October 2007 she was named Vice President, Chief Administrative Officer. As a part of this role, she continues to oversee our human resources function. Prior to joining ADC, Ms. Owen was employed by Texas Instruments and Raytheon (which purchased the Defense Systems and Electronics Group of Texas Instruments in 1997), manufacturers of high-technology systems and components. From 1995 to 1997, she served as Vice President of Human Resources for the Defense Systems and Electronics Group of Texas Instruments.

Mr. Pflaum joined ADC in April 1996 as Associate General Counsel and became Vice President, General Counsel and Secretary of ADC in March 1999. Prior to joining ADC, Mr. Pflaum was an attorney with the Minneapolis-based law firm of Popham Haik Schnobrich & Kaufman.

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Item 1A. *RISK FACTORS*

Our business faces many risks, which we describe below. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition or results of operations may suffer, and the trading price of our common stock could decline.

Risks Related to Our Business

If our merger transaction with Tyco Electronics Ltd. is not completed or is delayed, our share price, business and results of operations may materially suffer.

While we believe our acquisition by Tyco Electronics Ltd. will close in the current calendar quarter, it is possible the transaction might not be completed or could be delayed for a number of reasons. If the consummation of the merger is delayed or otherwise not consummated within the contemplated time periods or not at all, we could suffer a number of consequences that may affect our business, results of operations and share price in a material and adverse manner, including:

- a loss of revenue and market position that we may not be able to regain if the proposed transaction is not consummated;
- damage to our relationships with our customers, suppliers, and other business partners;
- a potential obligation to pay a $38.0 million termination fee depending on the reasons for termination of the merger transaction;
- significant costs related to the proposed transaction, including substantial legal, accounting and investment banking expenses;
- a loss of key employees during the pendency of the merger and our relationships with employees generally may be damaged; and
- a loss of business and organizational opportunities due to covenants in the merger agreement that restrict certain actions by us prior to completion of the merger, or other factors.

Our industry is highly competitive and spending for communication infrastructure products has not grown significantly in recent years. In addition, our product and services sales are subject to significant downward pricing and volume pressure.

Competition in the broadband network infrastructure equipment and services industry is intense. We have experienced, and anticipate continuing to experience, greater pricing pressures from our customers as well as our competitors, many of whom are headquartered or have operations in low cost regions. In part, this pressure exists because our industry currently is characterized by many vendors pursuing relatively few large customers. As a result, our customers have the ability to exert significant pressure on us with respect to product pricing and other contractual terms.

We believe our ability to compete with other manufacturers of communications equipment products and providers of related services depends primarily on our engineering, manufacturing and marketing skills; the price, quality and reliability of our products; our delivery and service capabilities; and the management of our business model (e.g., improving gross margins and controlling operating expenses).

Our sales and operations may continue to be impacted adversely by global economic conditions.

The ongoing global economic downturn may worsen or continue for a significant period of time. There can be no assurance that there will not be a further deterioration in financial markets and in business conditions generally. These economic developments have affected our business adversely in a number of ways and could continue to impact our business adversely during the foreseeable future. Examples of the impact the global economic downturn has had, and could continue to have on our business include:

- There has been, and may continue to be, soft demand for the goods and services our customers provide to their customers. In turn, this has caused, and may continue to cause, some of our customers to spend less on the products and services we sell.

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Increased competition to complete sales among our competitors has created, and may continue to create, pressure to sell products and services at lower prices or on less advantageous terms than in the past.

Our gross margins may vary over time, and our level of gross margins may not be sustainable.

Gross margins among our product groups vary and are subject to fluctuation from quarter to quarter. Many of our newer product offerings, such as our FTTX products, typically have lower gross margins than our legacy products. As these new products increasingly account for a larger percentage of our sales, our gross margins could be impacted negatively. The factors that may impact our gross margins adversely are numerous and include, among others:

Changes in customer, geographic, or product mix, including the mix of configurations within each product group;

Introduction of new products, including products with price-performance advantages;

Our ability to reduce product costs;

Increases in material or labor costs;

Expediting costs incurred to meet customer delivery requirements;

Excess inventory and inventory carrying charges;

Changes in shipment volume;

Changes in component pricing;

Increased price competition;

Changes in distribution channels;

Increased warranty cost;

Liquidated damages costs relating to customer contractual terms; and

Our ability to manage the impact of foreign currency exchange rate fluctuations.

Our operating results are difficult to predict and fluctuate significantly from quarter to quarter.

Our operating results are difficult to predict for any particular period due to a variety of factors, including the current global economic environment and related market uncertainty. The significant fluctuation of our operating results from quarter to quarter is caused by many factors, including, among others:

the volume and timing of orders from and shipments to our customers;

the overall level of capital expenditures by our customers;

work stoppages and other developments affecting the operations of our customers;

the timing of and our ability to obtain new customer contracts and the timing of revenue recognition;

the timing of new product and service announcements;

the availability of products and services;

- market acceptance of new and enhanced versions of our products and services;
- variations in the mix of products and services we sell;
- fluctuations in foreign currency exchange rates;
- the location and utilization of our production capacity and employees;
- increased pricing pressure by our customers; and
- the availability and cost of key components of our products.

Our expense levels are based in part on expectations of future revenues. If revenue levels in a particular quarter are lower than expected, our operating results will be affected adversely.

Our profitability could be impacted negatively if one or more of our key customers substantially reduces orders for our products and/or transitions their purchases towards lower gross margin products.

Our customer base is concentrated, with our top ten customers accounting for 45.8%, 45.5% and 45.4% of our net sales in fiscal 2010, 2009 and 2008, respectively. In fiscal 2010, 2009 and 2008, AT&T accounted for approximately 25.9%, 20.5%, and 18.3% of our net sales, respectively. Verizon accounted for 12.6%, 17.8% and 17.9% of our net sales in fiscal 2010, 2009 and 2008, respectively.

If a significant customer slows-down, delays, or completes a large project or if we lose a significant customer for any reason, including consolidation among our major customers, our sales and operating results will be impacted negatively. Also, in the case of products for which we believe potential revenue growth is the greatest, our sales remain highly concentrated with the major communications service providers. The loss of sales due to a decrease in orders from a key customer could require us to exit a particular business or product line or record related impairment or restructuring charges.

Gross margins vary among our product groups and a shift in our customers purchases toward a product mix (*i.e.*, the amount of each type of product we sell in a particular period) with lower margins could result in a reduction in our profitability.

Our market is subject to rapid technological change and, to compete effectively, we must continually introduce new products that achieve market acceptance.

The communications equipment industry is characterized by rapid technological changes, evolving industry standards, changing market conditions and frequent new product and service introductions and enhancements. The introduction of products using new technologies or the adoption of new industry standards can make our existing products, or products under development, obsolete or unmarketable. For example, FTTX product sales initiatives may impact sales of our non-fiber products negatively. In order to remain competitive and increase sales, we will need to adapt to these rapidly changing technologies, enhance our existing products and introduce new products to address the changing demands of our customers.

Due to the rapid changes in technology, we may not predict technological trends in the communications equipment market accurately. New product development often requires long-term forecasting of market trends, development and implementation of new technologies and processes and substantial capital commitments. We do not know whether new products and services we develop will gain market acceptance or result in profitable sales.

Many companies with whom we may compete have greater engineering and product development resources than us. Although we expect to continue to invest substantial resources in product development activities, our efforts to achieve and maintain profitability will require us to be selective and focused with our research and development expenditures. If we fail to anticipate or respond in a cost-effective and timely manner to technological developments, changes in industry standards or customer requirements, or if we experience any significant delays in product development or introduction, our business, operating results and financial condition could be affected adversely.

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Our cost reduction initiatives may not result in anticipated savings or more efficient operations and may be disruptive to our operations.

Over the past several years, we have implemented, and are continuing to implement, significant cost reduction measures. These measures have been taken in an effort to improve our levels of profitability. We have incurred significant restructuring and impairment charges in connection with these cost reduction efforts. If these measures are not fully completed or are not completed in a timely fashion, we may not realize their full potential benefit.

In addition, the efforts to cut costs may not generate the savings and improvements in our operating margins and profitability we anticipate and such efforts may be disruptive to our operations. For example, cost savings measures may yield unanticipated consequences, such as attrition beyond planned reductions in force or increased difficulties in our day-to-day operations due to a weakening of employee morale. Although we believe it is necessary to reduce the cost of our operations to improve our performance, these initiatives may preclude us from making potentially significant expenditures that could improve our product offerings and competitiveness over the longer term.

We are becoming increasingly dependent on specific network expansion projects undertaken by our customers, which are subject to intense competition and result in sales volatility.

Our business increasingly is focused on the sale of products, including our FTTX products and wireless coverage and capacity solutions, to support customer initiatives to expand broadband and coverage capabilities in their networks. These products increasingly have been deployed by our customers outside their central offices in connection with specific capital projects to increase network capabilities. There can be no assurance that these customer initiatives will continue going forward or that we will continue to be awarded the work we historically have been awarded. In addition, there can be no assurance that as significant projects are completed, new projects will be available to replace them.

Because of these project-specific purchases by our customers, the short-term demand for our products can fluctuate significantly and our ability to forecast sales accurately from quarter to quarter can be negatively impacted. This fluctuation can be further affected by the long sales cycles necessary to obtain contracts to supply equipment for these projects. These long sales cycles may result in significant effort expended with no resulting sales or sales that are not made in the anticipated quarter or year.

In addition, competition among suppliers with respect to these capital projects can be intense, particularly because these projects often utilize new products that were not used previously in customers networks. We cannot give any assurance that these capital projects will continue or that our products will be selected for these equipment deployments.

Further consolidation among our customers may result in the loss of some customers and may reduce revenue during the pendency of business combinations and related integration activities.

Consolidation among our customers may continue in order for them to increase market share and achieve greater economies of scale. Consolidation has impacted our business as our customers focus on completing business combinations and integrating their operations. In certain instances, customers integrating large-scale acquisitions have reduced their purchases of network equipment during the integration period. For example, following the merger of SBC Communications with AT&T and the merger of AT&T with BellSouth, the combined companies initially deferred spending on certain network equipment purchases, which resulted in lower product sales by ADC to these companies for a period of time.

The impact of significant mergers among our customers on our business is likely to be unclear until sometime after such transactions are completed. After a consolidation occurs, a customer may choose to reduce the number of vendors from which it purchases equipment and may choose one of our competitors as its preferred vendor. There can be no assurance that we will continue to supply equipment to the surviving communications service provider after a business combination is completed.

Our Professional Services business is exposed to risks associated with a highly concentrated customer base.

Our Professional Services business is heavily dependent on sales to AT&T. If, over the long-term, AT&T reduces the demand for our services, we may not be successful in finding new customers to replace the lost sales for a period of time. Therefore, sales by our Professional Services business could decline substantially and have an adverse effect on our business and operating results.

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Possible consolidation among our competitors could result in a loss of sales and profitability and negatively impact our competitive position.

In recent years, a number of our competitors have engaged in business combination transactions. We may see continued consolidation among communication equipment vendors and some of the transactions may be significant. These business combinations may result in our competitors becoming financially stronger and obtaining broader product portfolios than us. As a result, consolidation could increase the resources of our competitors and provide them with competitive advantages. In turn this could adversely impact our product sales and our profitability.

We may not successfully close strategic acquisitions and, if these acquisitions are completed, we may have difficulty integrating the acquired businesses with our existing operations.

If our proposed acquisition by Tyco Electronics Ltd. is not completed for any reason, in the future we may acquire companies and/or product lines that we believe are aligned with our strategic focus. The significant effort and management attention invested in a strategic acquisition may not result in a completed transaction.

The impact of future acquisitions on our business, operating results and financial condition is not known at this time. In the case of businesses we may acquire in the future, we may have difficulty assimilating these businesses and their products, services, technologies and personnel into our operations. These difficulties could disrupt our ongoing business, distract our management and workforce, increase our expenses and adversely affect our operating results and financial condition. We may also acquire unanticipated liabilities. Also, we may not be able to retain key management and other critical employees after an acquisition. In addition to these risks, we may not realize all of the anticipated benefits of these acquisitions.

If we seek to secure other financing we may not be able to obtain it on acceptable terms and, given the current market conditions, obtaining financing on any terms may not be possible.

We believe our current cash, cash equivalents, and short-term investment holdings as well as expected levels of future cash generated from operations provide adequate resources to fund ongoing operating requirements. If our estimates are incorrect and we are unable to generate sufficient cash flows from operations, we may need to raise new financing. In addition, if the costs of our strategic acquisition opportunities exceed our existing resources, we may be required to seek additional capital. If we determine it is necessary to seek other additional funding for any reason, we may not be able to obtain such funding or, if such funding is available, to obtain it on acceptable terms. This possibility is heightened by the economic downturn and its adverse effect on credit markets.

If we are unable to obtain capital on commercially reasonable terms it could:

- reduce funds available to us for purposes such as working capital, capital expenditures, research and development, strategic acquisitions and other general corporate purposes;
- restrict our ability to introduce new products or exploit new business opportunities;
- increase our vulnerability to economic downturns and competitive pressures in the markets in which we operate; and
- place us at a competitive disadvantage.

We may complete transactions, undertake restructuring initiatives or face other circumstances in the future that will result in restructuring or impairment charges.

From time to time, we have undertaken actions that have resulted in restructuring charges. We may take such actions in the future either in response to slowdowns or shifts in market demand for our products and services or in connection with other initiatives to improve our operating efficiency. In addition, if the fair value of any of our long-lived assets decreases as a result of an economic slowdown, a downturn in the markets where we sell products and services or a downturn in our financial performance and/or future outlook, we may be required to take an impairment charge on such assets. Restructuring and impairment charges could have a negative impact on our results of operations and financial position.

The regulatory environment in which we and our customers operate is changing and those changes may impact our business.

Although our business is not subject to substantial direct governmental regulation, the communications services provider industry in which our customers operate is subject to significant and changing federal and state regulation in the United States and in other countries. Regulatory changes could alter demand for our products and could affect our business and results of operations adversely.

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In October 2009, the FCC voted to begin developing regulations related to Net Neutrality (i.e., open Internet). While it is unclear whether Congress will, in fact, enact any legislation forbidding Internet service providers from restricting access to lawful sites, applications and services, legislation on Net Neutrality may adversely impact our business. Many of our largest customers would be subject to the legislation, which may change how they operate their businesses.

The regulatory environment for communication services providers is also changing in other countries. In many countries, regulators are considering whether service providers should be required to provide access to their networks by competitors. For example, this issue is currently being debated in Germany and Australia. As a result, the FTTX initiatives in these countries have been delayed, which has correspondingly delayed any potential sales by us related to these initiatives.

Additional regulatory changes affecting the communications industry have occurred and are anticipated to occur in the future. For example, a European Union (EU) directive relating to the restriction of hazardous substances (RoHS) in electrical and electronic equipment and a directive relating to waste electrical and electronic equipment (WEEE) have been and are being implemented in EU member states. Among other things, the RoHS directive restricts the use of certain hazardous substances in the manufacture of electrical and electronic equipment and the WEEE directive requires producers of electrical goods to be responsible for the collection, recycling, treatment and disposal of these goods.

In addition, a regulation regarding the registration, authorization and restriction of chemical substances in industrial products (REACH) became effective in the EU in 2007. Over time this regulation, among other items, may require us to substitute certain chemicals contained in our products with substances the EU considers less dangerous.

Similar laws to RoHS and WEEE have been implemented in other countries, such as China and may be in-acted in other nations. Our inability or failure to comply with the REACH, RoHS and WEEE directives, or similar laws and regulations that have been and may be implemented in other countries, could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, monetary penalties and other sanctions. Further, the evolution and frequent changes to the REACH, RoHS and WEEE directives make strict compliance particularly challenging and the ongoing costs associated with complying with these directives, or similar laws and regulations, may affect our business and results of operation adversely.

Conditions in global markets could adversely affect our operations.

Our sales outside the United States accounted for 39.4%, 40.6% and 41.0% of our net sales in fiscal 2010, 2009 and 2008, respectively. We expect sales outside the United States to remain a significant percentage of net sales in the future. We conduct business in many countries around the world including: Australia, Austria, Belgium, Brazil, Chile, China, Czech Republic, France, Germany, Hong Kong, Hungary, India, Indonesia, Italy, Japan, Malaysia, Mexico, New Zealand, Philippines, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Thailand, the United Arab Emirates, the United Kingdom, Venezuela and Vietnam.

Due to our sales and other operations outside the United States, we are subject to the risks of conducting business globally. These risks include, among others:

- local economic and market conditions;
- political and economic instability;
- unexpected changes in or impositions of legislative or regulatory requirements;
- compliance with the Foreign Corrupt Practices Act and various laws in countries in which we are doing business;
- fluctuations in foreign currency exchange rates which can be significant;
- requirements to consult with or obtain the approval of works councils or other labor organizations to complete business initiatives;
- tariffs and other barriers and restrictions;
- risk of foreign governments nationalizing our manufacturing operations;
- foreign governments efforts to control their local currency and economies in general, resulting in difficulties in exchanging currency or transferring funds to and from such countries;
- longer payment cycles;
- difficulties enforcing intellectual property and contract rights;
- greater difficulty in accounts receivable collection;
- potentially adverse taxes and export and import requirements; and
- the burdens of complying with a variety of non-U.S. laws and telecommunications standards.

Our business is also subject to general geopolitical, economic and environmental risks, such as terrorism, political and economic instability, changes in the costs of key resources such as crude oil, changes in diplomatic or trade relationships, natural disasters, pandemic illnesses and other possible disruptive events.

Instability created by any of these risks to countries or markets in which we conduct business could have a negative impact on our sales and business operations in these areas. For instance, we operate a significant manufacturing facility in Juarez, Mexico whose operations might be difficult to replicate in other locations in the event an increase in the political and social instability in that city were to cause a disruption to our local operations. The military engagements in Afghanistan and Iraq and other turmoil in the Middle East and the global initiatives against terror also may have negative effects on our business operations. We cannot predict whether these unstable conditions will affect our business and results of operations adversely.

We are subject to special risks relating to doing business in China and other developing nations.

Our operations in China and other developing nations are subject to significant political, economic and legal uncertainties. Changes in laws and regulations or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency or the nationalization or other expropriation of private enterprises could adversely affect our operations in China and other developing nations. In China, the current government has been pursuing economic reform policies that encourage private economic activity and greater economic decentralization. However, there can be no assurance that the government will continue to pursue these policies, especially in the event of a change in leadership, social, political or economic disruption or other circumstances affecting China s social, political and economic environment.

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Although not permitted under the law in most nations, corruption, extortion, bribery, payoffs and other fraudulent practices occur from time to time in developing nations. We must comply with U.S. laws prohibiting corrupt business practices outside the United States. Foreign companies, including some of our competitors, are not subject to these laws. If our competitors in developing nations engage in these practices, we may be at a competitive disadvantage. We maintain a business conduct program to prevent, deter and detect violations of law in the conduct of business throughout the world. We conduct periodic reviews of our business practices in China and other developing nations and train our personnel in these areas on appropriate ethical and legal business standards. However, a risk remains that our employees will engage in activities that violate laws or our corporate policies. This is particularly true in instances in which new employees we hire or the employees of a company we may acquire may not previously have been accustomed to operating under similar standards. In the event an employee violates applicable laws pertaining to sales practices, accounting standards, facility operations or other business or operational requirements, we may face substantial penalties, and our business in China and other developing nations could be affected adversely.

Our intellectual property rights may not be adequate to protect our business.

Our future success depends in part upon our proprietary technology. Although we attempt to protect our proprietary technology through patents, trademarks, copyrights and trade secrets, these protections are limited. Accordingly, we cannot predict whether these protections will be adequate, or whether our competitors will develop similar technology independently without violating our proprietary rights. Rights that may be granted under any patent application in the future may not provide competitive advantages to us. Intellectual property protection in foreign jurisdictions may be limited or unavailable.

Many of our competitors have substantially larger portfolios of patents and other intellectual property rights than we do. As competition in the communications network equipment industry has intensified and the functionality of products has continued to overlap, we believe that network equipment manufacturers increasingly are becoming subject to infringement claims. We have received, and expect to continue to receive, notices from third parties (including some of our competitors) claiming that we are infringing their patents or other proprietary rights. We also have asserted patent claims against certain third parties.

We cannot predict whether we will prevail in any patent litigation brought against us by third-parties, or that we will be able to license any valid and infringed patents on commercially reasonable terms. Unfavorable resolution of such litigation may adversely affect our business, results of operations or financial condition. In addition, any of these claims, whether with or without merit, could result in costly litigation, divert our management s time and attention, delay our product shipments or require us to enter into expensive royalty or licensing agreements.

A third party may not be willing to enter into a royalty or licensing agreement on acceptable terms, if at all. If a claim of product infringement against us is successful and we fail to obtain a license, or develop or license non-infringing technology, our business, operating results and financial condition could be adversely affected.

We are dependent upon our senior management and other critical employees.

Our success is dependent on the efforts and abilities of our senior management personnel and other critical employees, including those in customer service and product development functions. Our ability to attract, retain and motivate these employees is critical to our success. In addition, if our acquisition by Tyco Electronics Ltd. is not completed or we subsequently acquire one or more businesses in the future, our success will depend, in part, upon our ability to retain and integrate our own personnel with personnel from acquired entities who are necessary to the continued success or the successful integration of the acquired businesses.

Our continuing initiatives to streamline operations as well as the challenging business environment in which we operate may cause uncertainty in our employee base about whether they will have future employment with us. This uncertainty may have an adverse effect on our ability to retain and attract key personnel and may adversely impact our internal control structure.

Compliance with internal control requirements is expensive and poses certain risks.

We continue to incur significant continuing costs, including accounting fees and staffing costs, in order to maintain compliance with the internal control requirements of the Sarbanes-Oxley Act of 2002. Expansion of our business, particularly in international geographies, will necessitate ongoing changes to our internal control systems, processes and information systems. In addition, if we complete acquisitions in the future, our ability to integrate operations of the acquired company could impact our compliance with Section 404 of the Sarbanes-Oxley Act. We cannot be certain that, as our business changes, our current design for internal control over financial reporting will be sufficient to enable management or our independent registered public accounting firm to determine that our internal controls are effective for any period, or on an ongoing basis.

In the future, if we fail to maintain effective controls, or if our independent registered public accounting firm cannot attest to the effectiveness of our internal controls, we could be subject to regulatory scrutiny and/or a loss of public confidence in our internal controls. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could affect our operating results adversely or cause us to fail to meet our reporting obligations.

Product defects or the failure of our products to meet specifications could cause us to lose customers and revenue or to incur unexpected expenses.

If our products do not meet our customers performance requirements, our customer relationships may suffer. Also, our products may contain defects or fail to meet product specifications. Any failure or poor performance of our products could result in:

- delayed market acceptance of our products;
- delayed product shipments;
- unexpected expenses and diversion of resources to replace defective products or identify and correct the source of errors;
- damage to our reputation and our customer relationships;
- delayed recognition of sales or reduced sales; and/or
- product liability claims or other claims for damages that may be caused by any product defects or performance failures.

Our products are often critical to the performance of communications systems. Many of our supply agreements contain warranty provisions. If these provisions do not have meaningful limits that can be enforced or if we are exposed to product liability claims that are not covered by insurance, a claim could have a material adverse effect on our business.

Managing our inventory is complex and may include write-downs of excess or obsolete inventory.

Managing our inventory of components and finished products is complicated by a number of factors, including the need to maintain a significant inventory of components that are not easy to obtain, and often must be purchased in bulk to ensure favorable pricing. This is further complicated by parts that require long lead times, and the fact that we operate and sell, manufacture and warehouse products in many locations around the world. These issues may cause us to purchase and maintain significant amounts of inventory. If this inventory is not used as expected based on anticipated levels of customer demand, it may become excess or obsolete. The existence of excess or obsolete inventory can result in sales price reductions and/or inventory write-downs, which could affect our business and results of operations adversely.

We may encounter difficulties obtaining raw materials and supplies needed to make our products, and the prices of these materials and supplies are subject to fluctuation.

Our ability to manufacture our products is dependent upon the availability of certain raw materials and supplies. In some instances these materials or supplies may be available from only one or a limited number of sources. The availability of these raw materials and supplies is subject to market forces beyond our control. From time to time, there may not be sufficient quantities of raw materials and supplies in the marketplace to meet customer demand for our products. The costs to obtain these raw materials and supplies are subject to price fluctuations, which may be substantial, because of global market demands. During fiscal 2010, we experienced net inflation in raw materials, primarily due to increases in several commodity markets, partially offset by our internal efficiency efforts and strategic sourcing partner selection. In fiscal 2011, we expect that global economic conditions and supply and demand shifts will continue to have an adverse effect on commodities. In addition, to the degree that certain regions experience an economic recovery, supply could tighten, providing additional upward price pressure. Circumstances relating to the availability and pricing of materials could change and our ability to mitigate price increases or to take advantage of price decreases in the future will depend upon a variety of factors, such as our purchasing power and the purchasing power of our customers. Many companies utilize the same raw materials and supplies in the production of their products as we use in our products. Companies with more resources than us may have a competitive advantage in obtaining raw materials and supplies due to greater purchasing power. Some raw materials or supplies may be subject to regulatory actions, which may adversely affect available supplies. Furthermore, due to general economic conditions in the United States and globally, our suppliers may experience financial difficulties, which could result in increased delays, additional costs, or loss of a supplier.

Reduced availability and higher prices of raw materials and supplies as well as potential delays in obtaining these items may affect our business, operating results and financial condition adversely. We cannot guarantee that sufficient quantities or quality of raw materials and supplies will be as readily available in the future, that they will be available at acceptable prices, or how the prices at which we sell our products will be impacted by the prices at which we, or any contract manufacturers we utilize, obtain raw materials or supplies. Our ability to pass increases in the prices of raw materials and supplies along to our customers is uncertain. Delays in implementing price increases or a failure to achieve market acceptance of future price increases may affect our results of operations adversely. Further, in an environment of falling commodities prices, we may be unable to sell higher-cost inventory before implementing price decreases, which may affect our results of operations adversely.

If our manufacturing operations suffer production or shipping delays or if we do not have sufficient manufacturing capabilities, we may experience difficulty in meeting customer demands.

We internally produce or rely on contract manufacturers to produce a wide range of finished products as well as components used in our finished products at various locations around the world. We also periodically realign our manufacturing capacities among various manufacturing facilities in an effort to improve efficiencies and our competitive position. Disruption of our ability to produce or distribute from any of these facilities due to mechanical failures, fires, electrical outages, shipping interruptions, labor issues, natural disasters or other reasons could impact our ability to produce our products in a cost-effective and timely manner adversely. In addition, there are risks associated with actions we may take to realign manufacturing capacities among facilities, such as: potential disruptions in production capacity necessary to meet customer demand; decreases in production quality; disruptions in the availability of raw materials and supplies; delays in the movement of necessary tools and equipment among facilities; and adequate personnel to meet production demands caused by planned production shifts. In the event of any of these disruptions, we could lose sales, incur increased operating costs and suffer customer relations problems, which may affect our business and results of operations adversely.

In addition, it is possible from time to time that we may not have sufficient production capacity to meet customer demand whether through our internal facilities or through contract manufacturers we utilize. In such an event we may lose sales opportunities and suffer customer relations problems, which may adversely affect our business and results of operations.

If contract manufacturers that we rely on to produce a significant portion of our products or key components of products encounter production quality, financial or other difficulties, we may experience difficulty in meeting customer demands.

We rely on unaffiliated contract manufacturers, both domestically and internationally, to produce certain products or key components of products. If we are unable to arrange for sufficient production capacity among our contract manufacturers or if our contract manufacturers encounter production, quality, financial or other difficulties, we may encounter difficulty in meeting customer demands. Any such difficulties could have an adverse effect on our business and financial results.

Our ability to operate our business and report financial results is dependent on maintaining effective information management systems.

We rely on our information management systems to support critical business operations such as processing sales orders and invoicing, inventory control, purchasing and supply chain management, payroll and human resources, and financial reporting. We periodically implement upgrades to such systems or migrate one or more of our affiliates, facilities or operations from one system to another. In addition, when we acquire other companies we often take actions to migrate their information management systems to the systems we use. If we are unable to adequately maintain these systems to support our developing business requirements or effectively manage any upgrade or migration, we could encounter difficulties that may adversely affect our business, internal controls over financial reporting, financial results, or our ability to report such results timely and accurately.

We are subject to risks associated with changes in commodity prices, interest rates, security prices, and foreign currency exchange rates.

We face market risks from changes in certain commodity prices, security prices, foreign exchange rates and interest rates. Market fluctuations could affect our results of operations and financial condition adversely. We may reduce these risks through the use of derivative financial instruments. As of September 30, 2010, we had derivative transactions in place to minimize the financial impact from most significant fluctuations in interest rates and foreign exchange rates.

Interest rate exposure exists on our cash investments as interest income is negatively impacted when short-term interest rates decline. Additionally, we have exposure to increases in interest rates on our floating rate debt obligations. As of September 30, 2010, we minimized the exposure to rising interest rates on substantially all of our floating rate debt obligations through an interest rate swap which fixed the rate on our $200.0 million convertible bond maturing in 2013.

We have exposure to foreign denominated revenues and operating expenses through our operations in various countries. Our largest exposure is to the Mexican peso. As of September 30, 2010, we mitigated a certain portion of our exposure to Mexican peso operating expenses throughout fiscal 2010 through forward contracts and costless collars. The forward contracts enable us to purchase Mexican pesos at specified rates and the collars establish a cap and a floor on the price at which we purchase pesos.

We also are exposed to foreign currency exchange risk as a result of changes in intercompany balance sheet accounts and other balance sheet items. At September 30, 2010, these balance sheet exposures were mitigated through the use of foreign exchange forward contracts with maturities of approximately one month. The principal currency exposures being mitigated were the Australian dollar, Brazilian real, British pound, Chinese renminbi, Czech koruna, euro, Mexican peso, Singapore dollar and South African rand.

We may encounter litigation that has a material impact on our business.

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 September 30, 2010, we had recorded approximately $7.5 million in loss reserves for certain of these matters. Because of the uncertainty inherent in litigation, it is possible that unfavorable resolutions of these lawsuits, proceedings and claims could exceed the amount currently reserved by us and may adversely affect our business, results of operations or financial condition.

Risks Related to Our Common Stock

Our stock price has been volatile historically and may continue to be volatile.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates and recommendations by securities analysts, purchases or sales of our stock by significant investors, the operating and stock price performance of other companies that investors may deem comparable to us, and new reports relating to our customers, trends in our markets or general economic conditions.

In addition, the stock market in general, and prices for companies in our industry in particular, have experienced extreme volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance.

Furthermore, components of the compensation of many of our key employees are dependent on the price of our common stock. Lack of positive performance in our stock price may affect our ability to retain key employees.

Anti-takeover provisions in our charter documents, our shareholder rights agreement and Minnesota law could prevent or delay a change in control of our company.

Provisions of our articles of incorporation and bylaws, our shareholder rights agreement (also known as a poison pill) and Minnesota law may discourage, delay or prevent a merger or acquisition that a shareholder may consider favorable, and could limit the price that investors are willing to pay for our common stock. These provisions include the following:

advance notice requirements for shareholder proposals;

authorization for our Board of Directors to issue preferred stock without shareholder approval;

authorization for our Board of Directors to issue preferred stock purchase rights upon a third party s acquisition of 15% or more of our outstanding shares of common stock; and

limitations on business combinations with interested shareholders.

Some of these provisions may discourage a future acquisition of our company even though our shareholders would receive an attractive value for their shares, or a significant number of our shareholders believe such a proposed transaction would be in their best interest.

Item 1B. ***UNRESOLVED STAFF COMMENTS***

None.

Item 2. ***PROPERTIES***

We own our approximately 500,000 sq. ft. corporate headquarters facility, which is located in Eden Prairie, Minnesota. During 2005, we entered into a lease agreement with Wells Fargo Bank, N.A. to lease approximately 112,000 square feet of this facility. The remaining lease term is approximately five years.

In addition to our headquarters facility, our principal facilities as of September 30, 2010, consisted of the following:

Shakopee, Minnesota approximately 370,000 sq. ft., owned; general purpose facility used for engineering, manufacturing and general support of our global connectivity products;

Marietta, Georgia approximately 86,000 sq. ft., leased; administration and operations facility used for our professional services business;

San Jose, California approximately 61,000 sq. ft., leased; general purpose facility used for engineering, manufacturing and general support of our network solutions group;

Juarez and Delicias, Mexico approximately 327,000 sq. ft. and 139,000 sq. ft., respectively, owned; manufacturing facilities; each facility used for our global connectivity products;

Berlin, Germany approximately 377,000 sq. ft., leased; general purpose facility used for engineering, manufacturing and general support of our global connectivity products;

Sidney, Nebraska approximately 376,000 sq. ft., owned; manufacturing facility used for our global connectivity products;

Brno, Czech Republic approximately 123,000 sq. ft., leased; manufacturing facility used for our global connectivity products;

Berkeley Vale, Australia approximately 99,000 sq. ft., owned; general purpose facility for engineering, manufacturing and general support of our global connectivity products;

Bangalore, India approximately 44,000 sq. ft., owned; manufacturing facility used for our global connectivity products; and a second site in Bangalore, approximately 69,000 sq. ft., leased; general purpose facilities for engineering, sales, finance, information technology and other shared service support functions;

Santa Teresa, New Mexico approximately 254,000 sq. ft., leased; global warehouse and distribution center facility with approximately 60,000 sq. ft. dedicated to selected finished product assembly operations;

Shanghai, China approximately 59,000 sq. ft., leased; manufacturing site used for our global connectivity products; and a second facility in Shanghai, approximately 37,000 sq. ft., leased; facility for engineering, manufacturing and product management; and

Shenzhen, China approximately 149,000 sq. ft., leased; and a second facility in Shenzhen, approximately 112,000 sq. ft., leased; both manufacturing sites used for our global connectivity products; and an additional facility in Shenzhen, approximately 6,000 sq. ft., leased; used for engineering and operations of our network solutions group.

We also own or lease approximately 80 other facilities in the following locations: Australia, Austria, Belgium, Brazil, Chile, China, France, Hong Kong, Hungary, India, Indonesia, Italy, Japan, Malaysia, Mexico, New Zealand, Philippines, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Thailand, the United Arab Emirates, the United Kingdom, the United States, Venezuela and Vietnam.

We believe the facilities used in our operations are suitable for their respective uses and are adequate to meet our current needs. On September 30, 2010, we maintained approximately 3.4 million square feet of active space (1.7 million square feet leased and 1.7 million square feet owned), and have irrevocable commitments for an additional 0.4 million square feet of inactive space, totaling approximately 3.8 million square feet of space at locations around the world. In comparison, at the end of fiscal 2009, we had 3.6 million square feet of active space, and irrevocable commitments for 0.4 million square feet of inactive space, totaling approximately 4.0 million square feet of space at locations around the world.

Item 3. *LEGAL PROCEEDINGS*

Legal Contingencies: Beginning on July 14, 2010, a number of putative shareholder class action lawsuits were filed in the District Court of Hennepin County, Minnesota, Fourth Judicial District and three lawsuits were filed in the United States District Court for the District of Minnesota against various combinations of Tyco Electronics and one of its subsidiaries, ADC, the individual members of our board of directors, and one of our non-director officers with respect to the merger transaction with Tyco Electronics, Ltd. On August 4, 2010, plaintiffs in the state actions filed a consolidated shareholder derivative and class action complaint. The consolidated complaint alleges, among other things, that the members of our board of directors breached their fiduciary duties owed to the public shareholders of ADC by entering into the merger agreement, approving the tender offer contemplated thereby and the proposed merger and failing to take steps to maximize the value of ADC to its public shareholders. The consolidated complaint further alleges that ADC and our board of directors violated their fiduciary duties owed to the public shareholders of ADC by filing with the SEC a Schedule 14D-9 that is materially misleading or omissive. The consolidated complaint further alleges that Tyco Electronics Ltd. and Tyco Electronics Minnesota, Inc. aided and abetted such breaches of fiduciary duties. The consolidated complaint seeks, among other things, declaratory and injunctive relief concerning the alleged fiduciary breaches, injunctive relief prohibiting the defendants from consummating the merger and other forms of equitable relief. On August 9, 2010, the court entered an order consolidating the state actions under the caption *In re ADC Telecommunications, Inc. Shareholders Litigation.* The complaints filed in the United States District Court for the District of Minnesota allege, among other things, that the members of our board of directors breached their fiduciary duties owed to the public shareholders of ADC by entering into the merger agreement, approving the tender offer contemplated thereby and the proposed merger and failing to take steps to maximize the value of ADC to its public shareholders, and that ADC, Tyco Electronics Ltd. and Tyco Electronics Minnesota, Inc. aided and abetted such breaches of fiduciary duties. The complaints further allege that ADC and members of our board of directors violated Section 14(d)(4) and Section 14(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), by filing with the SEC a Schedule 14D-9 that is materially misleading or omissive. The complaints generally seek, among other things, declaratory and injunctive relief concerning the alleged fiduciary breaches and alleged violations of the Exchange Act, injunctive relief prohibiting the defendants from consummating the merger and other forms of equitable relief.

On September 23, 2010, the parties to the state and federal actions executed a stipulation of settlement (the Stipulation), which sets forth the terms and conditions of the proposed settlement. Pursuant to the Stipulation, the consolidated state action will be dismissed with prejudice on the merits, the plaintiffs in the federal actions have voluntarily dismissed those actions, and all defendants will be released from any and all claims relating to, among other things, the merger agreement, the merger, the tender offer and any disclosures made in connection therewith. The Stipulation is subject to customary conditions, including completion of the merger, completion of certain confirmatory discovery, class certification and final approval by the District Court of Hennepin County, Minnesota, Fourth Judicial District, following notice to our shareholders. In connection with the settlement, we (or our successor-in-interest) have agreed to pay to plaintiffs counsel fees and expenses not to exceed $925,000, subject to court approval. On October 14, 2010, the District Court of Hennepin County, Minnesota, Fourth Judicial District entered an order preliminarily approving the proposed settlement and setting forth the schedule and procedures for notice to our shareholders and the court s final review of the settlement. The court scheduled a hearing for February 10, 2011, at which the court will consider the fairness, reasonableness and adequacy of the settlement, the proposed final certification of the class, and an application by plaintiffs counsel for fees and expenses.

We are a party to various other 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

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these matters cannot be determined at this time. As of September 30, 2010, we had recorded $7.5 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.

On August 17, 2009, we met with representatives from the Office of the Inspector General of the United States, where we disclosed a potential breach of the country of origin requirements for certain products sold under a supply agreement with the federal government s General Services Administration. We self-reported this potential breach as a precautionary matter and it is unclear at this time whether any penalties will be imposed. At this time we do not believe the ultimate resolution of this matter will have a material adverse impact on our business, results of operations or financial condition.

Item 4. ***(REMOVED AND RESERVED)***

PART II

Item 5. ***MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

Our common stock, $0.20 par value, is traded on The NASDAQ Global Select Market under the symbol ADCT. The following table sets forth the high and low sales prices of our common stock for each quarter during our fiscal years ended September 30, 2010 and 2009, as reported on that market.

	2010		2009	
	High	**Low**	**High**	**Low**
First Quarter	$ 8.35	$5.35	$7.20	$4.28
Second Quarter	7.55	5.18	7.52	2.47
Third Quarter	8.73	6.90	8.85	6.25
Fourth Quarter	12.74	7.55	9.78	6.90

As of November 19, 2010, there were 5,600 holders of record of our common stock. We do not pay cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future.

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Item 6. ***SELECTED FINANCIAL DATA***

The following table presents selected financial data. The data included in the following table has been restated to exclude the assets, liabilities and results of operations of certain businesses that have met the criteria for treatment as discontinued operations. The following summary information should be read in conjunction with the Consolidated Financial Statements and related notes thereto set forth in Item 8 of this report. Due to the change in our fiscal year end, our fiscal 2009 was only 11 months.

FIVE-YEAR FINANCIAL SUMMARY
Years ended

	September 30, 2010	September 30, 2009	October 31, 2008	October 31, 2007	October 31, 2006
		(In millions, except per share data)			
Income Statement Data from Continuing Operations					
Net sales	$1,156.6	$ 990.2	$1,442.6	$1,276.7	$1,231.9
Gross profit	417.9	327.2	481.3	442.6	406.3
Research and development expense	69.7	60.1	76.2	69.6	70.9
Selling and administration expense	288.3	240.7	323.2	287.2	269.6
Operating income (loss)	45.9	(416.7)	66.7	78.0	45.2
Income (loss) before income taxes	85.6	(456.0)	(33.9)	128.3	56.7
Provision (benefit) for income taxes	7.1	(3.1)	6.2	3.3	(37.7)
Income (loss) from continuing operations (1)	78.5	(452.9)	(40.1)	125.0	94.4
Earnings (loss) per diluted share from continuing operations (2)	0.80	(4.65)	(0.34)	0.95	0.80
Balance Sheet Data					
Current assets	1,107.7	900.8	1,084.1	1,008.2	942.7
Current liabilities	288.7	236.1	277.9	474.1	263.9
Total assets	1,474.5	1,343.6	1,921.0	1,764.8	1,611.4
Long-term notes payable	650.8	651.0	650.7	200.6	400.0
Total long-term obligations	751.4	746.6	720.3	273.4	474.0
ADC Shareowners investment	429.6	356.2	914.2	1,007.6	873.5

(1) Income (loss) from continuing operations available to ADC common shareowners was $77.2, $(451.6), $(39.4), $123.5, and $93.3 for the fiscal years 2010, 2009, 2008, 2007, and 2006, respectively.

(2) Earnings (loss) per diluted shares from continuing operations available to ADC common shareowners was $0.78, $(4.64), $(0.34), $1.04, and $0.79 for the fiscal years 2010, 2009, 2008, 2007, and 2006, respectively.

Item 7. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

On July 12, 2010, we entered into an Agreement and Plan of Merger with Tyco Electronics Ltd., a Swiss company, and its indirect subsidiary, Tyco Electronics Minnesota, Inc. (each such company individually as well as collectively, Tyco Electronics),, which was amended as of July 24, 2010. Pursuant to that merger agreement, on July 26, 2010, Tyco Electronics commenced a tender offer to purchase all of our outstanding shares of common stock at a purchase price of $12.75 per share in cash. The closing of the transaction has not yet taken place, although we presently expect it will occur during the current calendar quarter. For more information on the transactions contemplated by the merger agreement, please refer to ADC s Schedule 14D-9 filed with the SEC on July 26, 2010, as well as the various amendments to Schedule 14D-9, which are available online at www.sec.gov.

We are a leading global provider of broadband communications network infrastructure products and related services. Our products and services offer comprehensive solutions that enable the delivery of high-speed Internet, data, video and voice communications over wireline, wireless, cable, enterprise and broadcast networks for our extensive customer base. Our customers include public and private, wireline and wireless communications service providers, private enterprises that operate their own networks, cable television operators, broadcasters, government agencies, system integrators and communications equipment manufacturers and distributors.

We sell our products and services and report financial results for the following three operating segments:

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

This operating segment s net sales in fiscal 2010 were $870.5 million, which represented 75.3% of our total net sales for this time period. Our acquisition of Century Man in fiscal 2008 was integrated into this segment.

Our **Network Solutions** business segment designs, manufactures, sells, installs and services products that help improve the coverage and capacity of wireless networks. These products improve signal quality, increase coverage and capacity, enhance 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 and outdoor coverage solutions. This operating segment s net sales in fiscal 2010 were $113.3 million, which represented 9.8% of our total net sales for this time period. Our acquisition of LGC Wireless in fiscal 2008 was integrated into this segment.

Our **Professional Services** business segment provides integration services for broadband and multi-service communication over wireline, wireless, cable and enterprise networks. Our professional services segment helps customers plan, deploy and maintain communications networks through delivery of internet data, video and voice services. This operating segment s net sales in fiscal 2010 were $172.8 million, which represented 14.9% of our total net sales for this time period.

We examine many financial, operational, and other metrics to evaluate both our financial condition and our financial performance. The results discussed below are for the 12 months ended September 30, 2010 compared to the 11 months ended September 30, 2009, and highlight the results of those financial metrics that we feel are most important in these evaluations:

Net Sales were approximately $1.2 Billion: Our net sales were approximately $1.2 billion in fiscal 2010, up 16.8% compared to net sales of approximately $1.0 billion in fiscal 2009. Net sales increased 10.6% in our Connectivity business segment, 69.6% in our Network Solutions business segment and 26.8% in our Professional Services business segment.

Gross Margins were 36.1%*:* Gross margins increased to 36.1% for fiscal 2010 compared to 33.0% for fiscal 2009 due primarily to our cost reduction efforts and improvements in operational efficiencies, along with the impact of higher sales volumes and improved product mix.

Operating Income of $45.9 *Million:* We generated operating income of $45.9 million in fiscal 2010, compared to an operating loss of $(416.7) million in fiscal 2009. Operating margin was 4.0% of net sales in fiscal 2010, compared to (42.1)% of net sales in fiscal 2009. The operating loss in fiscal 2009 primarily was due to impairment charges of $408.9 million related to goodwill and other long-lived assets.

Income from Continuing Operations of $78.5 *Million, or $0.80 per Diluted Share:* We generated income from continuing operations of $78.5 million, or $0.80 per diluted common share, in fiscal 2010, compared to a loss from continuing operations of $452.9 million, or $(4.65) per diluted common share, in fiscal 2009. The loss from continuing operations in fiscal 2009 primarily was due to impairment charges of $408.9 million related to goodwill and other long-lived assets.

Operating Cash Flow from Continuing Operations of $140.8 Million: We generated operating cash flow from continuing operations of $140.8 million in fiscal 2010, compared to $97.2 million in fiscal 2009.

Cash and Cash Equivalents of $518.1 Million: As of September 30, 2010 our cash and cash equivalents totaled $518.1 million, which represented a decrease of $17.4 million compared to $535.5 million as of September 30, 2009. The decrease in our cash and cash equivalents was primarily driven by the $152.5 million of cash used in investing activities, primarily for the purchase of available-for-sale securities, offset by $136.6 million of cash generated by our operating activities.

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Results of Operations

The results discussed below are for the 12 months ended September 30, 2010 compared to the 11 months ended September 30, 2009 and the 12 months ended October 31, 2008. Due to the change in our fiscal year in 2009, fiscal 2009 was an 11 month year and many differences in the reported results between fiscal 2010 and fiscal 2009, as well as the differences between fiscal 2009 and fiscal 2008, are directly impacted by the one month difference. We believe that our variance explanations, which in many cases discuss the significant impact of the general downturn in the global economy, would not be significantly different than if we were comparing 12 month periods for fiscal years 2010, 2009, and 2008. The following table shows the percentage change in net sales and expense items from continuing operations for the three fiscal years ended September 30, 2010, September 30, 2009 and October 31, 2008:

				Percentage Increase (Decrease) Between Periods	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
			(In millions)		
Net sales	$ 1,156.6	$ 990.2	$ 1,442.6	16.8%	(31.4)%
Cost of sales	738.7	663.0	961.3	11.4	(31.0)
Gross profit	417.9	327.2	481.3	27.7	(32.0)
Gross margin	36.1%	33.0%	33.4%		
Operating expenses:					
Research and development	69.7	60.1	76.2	15.9	(21.1)
Selling and administration	288.3	240.7	323.2	19.8	(25.5)
Impairment charges	0.9	408.9	4.1		
Restructuring charges	13.1	34.2	11.1	(61.7)	208.1
Total operating expenses	372.0	743.9	414.6	(50.0)	79.4
Operating income (loss)	45.9	(416.7)	66.7	111.0	(724.7)
Operating margin	4.0%	(42.1)%	4.6%		
Other income (expense), net:					
Interest income (expense), net	(22.9)	(17.4)	2.8	31.6	(721.4)
Other, net	62.6	(21.9)	(103.4)	385.8	78.8
Income (loss) before income taxes	85.6	(456.0)	(33.9)	118.8	
Provision (benefit) for income taxes	7.1	(3.1)	6.2	329.0	(150.0)
Income (loss) from continuing operations	$ 78.5	$ (452.9)	$ (40.1)	117.3	

The table below sets forth our net sales from continuing operations for fiscal 2010, 2009 and 2008 for each of our three reportable segments described in Item 1 of this report.

Percentage
Increase (Decrease)

Reportable Segment	Net Sales 2010	2009	2008	Between Periods 2010 vs. 2009	2009 vs. 2008
			(In millions)		
Connectivity					
Product	$ 866.6	$ 785.4	$ 1,151.8	10.3%	(31.8)%
Service	3.9	1.7		129.4	
Total Connectivity	870.5	787.1	1,151.8	10.6	(31.7)
Network Solutions					
Product	87.0	52.4	88.1	66.0	(40.5)
Service	26.3	14.4	21.1	82.6	(31.8)
Total Network Solutions	113.3	66.8	109.2	69.6	(38.8)
Professional Services					
Product	44.4	37.4	49.1	18.7	(23.8)
Service	128.4	98.9	132.5	29.8	(25.4)
Total Professional Services	172.8	136.3	181.6	26.8	(24.9)
Total Net Sales	$ 1,156.6	$ 990.2	$ 1,442.6	16.8%	(31.4)%

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Net Sales

Fiscal 2010 vs. Fiscal 2009

Our net sales increase for fiscal 2010 as compared to fiscal 2009 was driven by customer spending increases in a majority of our geographies and products and the fact that our 2010 results included one more month of activity versus 2009.

International sales comprised 39.4% and 40.6% of our net sales in fiscal 2010 and fiscal 2009, respectively. As a result of significant international sales, our net sales have been impacted positively in recent quarters from the relative weakening of the U.S. dollar against a majority of other currencies. Changes in foreign currency exchange rates increased sales in fiscal 2010 by approximately $10.4 million as compared to fiscal 2009.

Our Connectivity products net sales increase of 10.6% in fiscal 2010 as compared to fiscal 2009 primarily was due to the additional month in fiscal 2010 results.

Our Network Solutions net sales increase of 69.6% in fiscal 2010 as compared to fiscal 2009 was driven primarily by strong customer spending that drove growth in both our in-building and outdoor wireless products.

Our Professional Services net sales increase of 26.8% in fiscal 2010 as compared to fiscal 2009 was due primarily to increased spending and an expanded presence with a key customer.

Fiscal 2009 vs. Fiscal 2008

Our net sales decrease for fiscal 2009 as compared to fiscal 2008 was driven by significant sales declines in all reporting segments and our shortened 2009 fiscal year. These decreases are due primarily to the general downturn of the global economy, which extended across the majority of the geographic markets we served during fiscal 2009. Geographically, we experienced particular weakness in the Europe, Middle East, Africa (EMEA) region and Latin America, partially offset by relative strength in China.

International sales comprised 40.6% and 41.0% of our net sales in fiscal 2009 and fiscal 2008, respectively. As a result of significant international sales, our net sales were impacted negatively due to the relative strengthening of the U.S. dollar against a majority of other currencies in fiscal 2009. Changes in foreign currency exchange rates reduced sales in fiscal 2009 by approximately $34.0 million as compared to fiscal 2008.

Our Connectivity products net sales decrease in fiscal 2009 as compared to fiscal 2008 was due to a decrease in customer spending driven by the weak global economic environment that existed at that time and a shortened fiscal year.

Our Network Solutions net sales decrease in fiscal 2009 as compared to fiscal 2008 was driven, in part, by our decision to discontinue certain outdoor wireless product lines in the fourth quarter of fiscal 2008, the global economic downturn, and a shortened fiscal year.

Our Professional Services net sales decrease in fiscal 2009 as compared to fiscal 2008 was due to decreased spending from a key customer and a shortened fiscal year.

Gross Profit

Fiscal 2010 vs. Fiscal 2009

Gross profit percentages were 36.1% and 33.0% during fiscal 2010 and fiscal 2009, respectively. The increase in gross margins was due to a combination of operating efficiencies realized across most of our businesses, leverage from increased volumes, and an improved product mix. The operating efficiencies were achieved through a combination of our cost reduction initiatives begun in fiscal 2009 and an on-going commitment to operational excellence.

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Fiscal 2009 vs. Fiscal 2008

Gross profit percentages were 33.0% and 33.4% during fiscal 2009 and fiscal 2008, respectively. The decrease in gross profit was driven primarily by a decrease in sales volumes due to the global economic downturn, partially offset by our cost reduction initiatives.

Operating Expenses

Fiscal 2010 vs. Fiscal 2009

The results discussed below are for the 12 months ended September 30, 2010 compared to 11 months ended September 30, 2009. Total operating expenses for fiscal 2010 and fiscal 2009 represented 32.2% and 75.1% of net sales, respectively. Our fiscal 2009 operating results included a $408.9 million impairment of goodwill and intangible and fixed assets. 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 fiscal 2010 and fiscal 2009 represented 6.0% and 6.1% of net sales, respectively. Research and development expenses increased to $69.7 million in fiscal 2010 compared to $60.1 million in fiscal 2009 due to new product development initiatives and the fact that fiscal 2009 was a shortened year. 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 has been 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 fiscal 2010 and fiscal 2009 represented 24.9% and 24.3% of net sales, respectively. Selling and administration expenses increased to $288.3 million in fiscal 2010 compared to $240.7 million in fiscal 2009. This increase was due to a combination of higher stock-based compensation expense and increased employee incentive expenses of approximately $42.4 million due to the fact fiscal 2010 financial performance was above target levels.

Restructuring charges: Restructuring charges relate principally to employee severance and facility consolidation costs resulting from the closure of leased facilities and other workforce reductions attributable to our efforts to reduce costs. In fiscal 2009, due to the global economic downturn, we expanded our restructuring efforts globally and continued to execute on our efforts to streamline our operations, primarily through reductions in headcount. During fiscal 2010 and 2009, we terminated the employment of approximately 336 and 750 employees, respectively, through reductions in force. We have accrued costs for actions that are probable of occurring and for which the cost can be reasonably estimated. In fiscal 2009, we recorded $33.1 million of severance charges. During fiscal 2010, as the plans begun in fiscal 2009 were finalized, we recorded an additional $11.8 million of severance charges. The costs of these reductions have been funded through cash from operations. These charges have impacted each of our reportable segments.

Facility consolidation and lease termination costs represent costs associated with our decision to consolidate and close duplicative or excess manufacturing and office facilities. During fiscal 2010 and 2009, we incurred charges of $1.3 million and $1.1 million, respectively, due to our decision to close unproductive and excess facilities and because of the continued softening of real estate markets, which resulted in lower sublease income.

Impairments: Goodwill is tested for impairment annually, or more frequently if potential interim indicators exist that could result in impairment. We perform impairment reviews at a reporting unit level and use a discounted cash flow model based on management s judgment and assumptions to determine the estimated fair value of each reporting unit. Our three operating segments, Connectivity, Network Solutions and Professional Services are considered the reporting units. An impairment loss generally would be recognized when the carrying amount of the reporting unit s net assets exceeds the estimated fair value of the reporting unit.

We record impairment losses on long-lived assets used in operations and finite lived intangible assets when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Any impairment loss is measured by comparing the fair value of the asset to its carrying amount. There were no material impairments of goodwill, intangible assets, or long-lived assets during fiscal year 2010.

During fiscal years 2010 and 2009, we recorded impairment charges of $0.9 million and $408.9 million, respectively. See Note 7 to the financial statements for a discussion of the $408.9 million impairment charges recorded in fiscal 2009.

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Fiscal 2009 vs. Fiscal 2008

Total operating expenses for fiscal 2009 and fiscal 2008 represented 75.1% and 28.7% of net sales, respectively. Our fiscal 2009 operating results included a $408.9 million impairment of goodwill, intangible assets and fixed assets. 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 fiscal 2009 and fiscal 2008 represented 6.1% and 5.3% of net sales, respectively. Research and development expenses decreased to $60.1 million in fiscal 2009 compared to $76.2 million in fiscal 2008, which primarily was a result of our cost reduction initiatives.

Selling and administration: Selling and administration expenses for fiscal 2009 and fiscal 2008 represented 24.3% and 22.4% of net sales, respectively. Selling and administration expenses decreased to $240.7 million in fiscal 2009 compared to $323.2 million in fiscal 2008. This decrease was due primarily to our cost reduction initiatives, which included workforce reductions and significant decreases in discretionary spending, as well as a decrease in incentives and acquisition amortization.

Restructuring charges: Restructuring charges relate principally to employee severance and facility consolidation costs resulting from the closure of leased facilities and other workforce reductions attributable to our efforts to reduce costs. In fiscal 2009, due to the global economic downturn, we expanded our restructuring efforts globally and continued to execute on our efforts to streamline our operations, primarily through reductions in headcount. During fiscal 2009 and 2008, we terminated the employment of approximately 750 and 550 employees, respectively, through reductions in force. Accordingly, in fiscal 2009, we recorded $33.1 million of severance charges, of which $12.8 million related to certain components of our restructuring efforts which were considered probable and estimable and expected to take place during fiscal 2010. The costs of these reductions were funded through cash from operations. These charges have impacted each of our reportable segments.

Facility consolidation and lease termination costs represent costs associated with our decision to consolidate and close duplicative or excess manufacturing and office facilities. During fiscal 2009 and 2008, we incurred charges of $1.1 million and $0.7 million, respectively, due to our decision to close unproductive and excess facilities and because of the continued softening of real estate markets, which resulted in lower sublease income.

During fiscal years 2009 and 2008, we recorded impairment charges of $408.9 million and $4.1 million, respectively. See Note 7 to the financial statements for a discussion of the $408.9 million impairment of goodwill, intangible and fixed assets recorded in fiscal 2009. In fiscal 2008, we recorded impairment charges of $4.1 million primarily to write-off certain intangible assets related to the exit of certain of our outdoor wireless product lines in our Network Solutions segment.

Other Income (Expense), Net

Other income (expense), net for fiscal 2010, 2009 and 2008 was $39.7 million, $(39.3) million and $(100.6) million, respectively. The following provides details for the respective periods:

	2010	2009	2008
		(In millions)	
Interest income on investments	$ 4.5	$ 8.4	$ 31.0
Interest expense on borrowings	(27.4)	(25.8)	(28.2)
Interest income (expense), net	(22.9)	(17.4)	2.8
Foreign exchange (loss)	(4.4)	(1.0)	(1.8)
Gain realized on sale of available-for-sale securities	7.5		
Loss recognized on impairment of available-for-sale securities	(3.1)	(18.4)	(100.6)
Settlement of auction rate securities claims, net of $2.1 million in fees	54.4		
Gain on sale of product line	15.9		
Write-down of cost method investment	(5.3)	(3.0)	
Gain (loss) on sale of fixed assets	(1.4)	0.9	(0.5)

Other	(1.0)	(0.4)	(0.5)
Subtotal	62.6	(21.9)	(103.4)
Total other income (expense), net	$ 39.7	$ (39.3)	$ (100.6)

The change in net interest income (loss) from fiscal 2008 through fiscal 2010 was predominately due to significantly lower interest income rates on cash investments.

During June 2010, we entered into a settlement agreement with Merrill Lynch and its agent/broker in connection with certain auction rate securities they sold to us. The settlement resulted in our receiving $56.5 million in cash and provided for us to retain ownership in the auction rate securities. As of September 30, 2010, we have sold substantially all of our auction rate securities, realizing proceeds of $31.4 million and gains of $7.5 million during fiscal 2010 within Other Income (Expense), Net. During fiscal 2010, 2009 and 2008, we recorded other-than-temporary impairment charges of $3.1 million, $18.4 million and $100.6 million, respectively, to reduce the carrying value of certain auction rate securities we held.

On October 30, 2009, we completed the sale of our copper-based RF signal management business to ATX Networks, Corp. (ATX). ATX paid us $17.0 million in cash for the business. The assets sold consisted primarily of inventory, fixed assets and intellectual property. ATX assumed future product warranty liabilities for products sold prior to October 30, 2009, subject to our reimbursement of expenses and costs related to certain of those future product warranty claims, if any. As part of the sale transaction, we agreed to manufacture the RF signal management products on behalf of ATX for up to 12 months and assist in other transitional activities. We recorded a gain of $15.9 million in connection with the transaction within Other Income (Expense), Net.

During the second quarter of fiscal 2010, we recorded a $5.3 million other-than-temporary impairment related to our investment in ip.access Ltd (refer to Note 6).

During the second quarter of fiscal 2009, we recorded a $3.0 million other-than-temporary impairment related to our investment in E-Band Communications Corporation.

Acquisitions

LGC Wireless

On December 3, 2007, we completed the acquisition of LGC Wireless, 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 Wireless 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 Wireless 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 Wireless, subsequent to December 3, 2007, are included in our consolidated statements of operations.

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 was made to accelerate our growth in the Chinese connectivity market, as well as provide us with additional products designed to meet the needs of customers in 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. 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. These amounts were recorded as increases to the goodwill associated with these transactions.

During the first quarter of 2010, we recorded an accrual of $5.5 million due to the attainment of certain earnout thresholds by the Century Man business. During the second quarter of fiscal 2010, we recorded $0.3 million of goodwill related to the foreign exchange rate guarantee on the release of the escrow related to the acquisition. During the fourth quarter of fiscal 2010, we paid $3.8 million to the former shareholders of these amounts. The remaining amounts are expected to be paid later in fiscal 2011.

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Of the purchase price, $7.5 million was placed in escrow following the close of the transaction. As of September 30, 2009, $3.9 million of the total escrow amount had been released to the former shareholders of Century Man. In addition, $0.4 million was paid to the former shareholders for the effect of changes in foreign exchange rates on the amount of escrow released in accordance with the escrow agreement. These payments were accounted for as additional contingent consideration and increased goodwill accordingly.

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.

Discontinued Operations

GSM Business

On December 31, 2009, we divested substantially all of the assets of our GSM business to Altobridge Limited (Altobridge). In connection with the transaction, we also provided Altobridge $4.3 million in cash, a portion of which was held back for certain transition services. Altobridge also assumed various liabilities related to the business. We recorded a loss on the sale in the amount of $13.2 million. During fiscal 2010, in connection with the sale of our GSM Business, we wrote off the value of related inventory and fixed assets having carrying amounts of $6.3 million and $0.6 million, respectively. The amounts written off were recognized as part of the loss on sale of this business.

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. On July 31, 2009, we sold all of the capital stock of our subsidiary that operated our APS Germany business to telent Investments Limited for a cash purchase price of $3.3 million, resulting in a total loss on sale of $5.2 million of which $0.7 million related to the write off of the foreign currency translation adjustment.

APS France

On January 12, 2007, we completed the sale of certain assets of APS France to a subsidiary of Groupe Circet, a French company, for a cash price of $0.1 million. We recorded a total loss on sale of $27.3 million which includes $7.0 million relating to the write off of the foreign currency translation adjustment. During the first quarter of fiscal 2010, we recognized income of $0.5 million within discontinued operations resulting from the reversal of a reserve for an uncertain tax position related to APS France for which the statute of limitations had expired.

Share-Based Compensation

Share-based compensation recognized for fiscal 2010, 2009 and 2008 was $14.7 million, $10.6 million and $17.2 million, respectively. The share-based compensation expense is calculated and recognized primarily on a straight-line basis over the vesting periods of the related share-based awards, except for performance-based awards. Share-based compensation expense related to performance-based awards is recognized only when it is probable that the awards will vest. Once this determination is made, the expense related to prior periods is recognized in the current period and the remaining expense is recognized ratably over the remaining vesting period. Thus, expense related to such awards can fluctuate significantly.

Income Taxes

Note 10 to the Consolidated Financial Statements in Item 8 of this report describes the items which have impacted our effective income tax rate for fiscal 2010, 2009 and 2008.

In fiscal 2010, we recorded a net income tax provision totaling $7.1 million. This provision is attributable primarily to foreign income taxes.

In fiscal 2009, we recorded a net income tax benefit totaling $3.1 million. This tax benefit 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.

In fiscal 2008, we recorded a net income tax provision totaling $6.2 million. This provision is attributable primarily to foreign income taxes and deferred tax liabilities attributable to U.S. tax amortization of purchased goodwill from our acquisition of KRONE. This provision also includes a $3.4 million charge related to the establishment of additional valuation allowance on our U.S. deferred tax assets.

Income (Loss) from Continuing Operations

During fiscal 2010 we had income from continuing operations of $78.5 million compared to a $452.9 million loss in fiscal 2009. The fiscal 2010 results were attributable mainly to stronger sales, the fact that our fiscal 2010 results included 12 months versus 11 months for 2009, increased gross margins as a result of the cost reduction and efficiency initiatives begun in fiscal 2009, and our settlement and receipt of $56.5 million related to our auction rate securities arbitration claim against Merrill Lynch.

During fiscal 2009 we had a loss from continuing operations of $452.9 million compared to a $40.1 million loss in fiscal 2008. The fiscal 2009 decline in operating results was largely due to impairment charges and the general downturn of the global economy. The fiscal 2009 results included a $408.9 million impairment of goodwill and other long-lived assets.

Segment Disclosures

Specific financial information regarding each of our three reportable segments is provided in the following table:

	2010	2009	2008
		(In millions)	
Connectivity			
Operating income	$ 64.9	$ 50.9	$117.2
Depreciation and amortization	54.1	57.3	64.3
Network Solutions			
Operating loss	$(13.9)	$(28.5)	$ (36.1)
Depreciation and amortization	4.4	5.4	13.0
Professional Services			
Operating income	$ 8.9	$ 4.0	$ 0.8
Depreciation and amortization	3.0	3.3	3.5

Fiscal 2010 vs. Fiscal 2009

The increase in operating income in fiscal 2010 compared to fiscal 2009 across all of our segments was due to a combination of higher revenue and an increase in gross margins. In our Connectivity segment, the decrease in depreciation and amortization in fiscal 2010 from fiscal 2009 was due to a decline in acquisition related amortization expense related to our acquisition of Krone completed in 2004.

Fiscal 2009 vs. Fiscal 2008

In the Connectivity segment, operating income decreased as compared to fiscal 2008 primarily due to the general downturn in the global economy. Network Solutions generated a smaller loss in fiscal 2009 as compared to fiscal 2008 due to lower acquisition related amortization expense. The Professional Services segment s operating income increased primarily due to efficiencies generated through restructuring initiatives and process improvements.

Depreciation and amortization expense was relatively flat for our Connectivity and Professional Services segments, but decreased for our Network Solutions segment largely because fiscal 2008 included $9.4 million of amortization expense related to acquired intangibles from LGC compared to $2.2 million in fiscal 2009.

Liquidity and Capital Resources

Liquidity

The table below summarizes our cash and cash equivalents and available-for-sale securities:

	September 30, 2010	September 30, 2009
	(In millions)	
Cash and cash equivalents	$ 518.1	$ 535.5
Short-term available-for-sale securities		
Corporate commercial paper, CD s and bonds	129.2	
Government bonds	49.6	
Total cash, cash equivalents and short-term available-for-sale securities	696.9	535.5
Long-term available-for-sale securities		
Corporate commercial paper, CD s and bonds	21.0	51.1
Government bonds	28.8	
Auction rate securities		24.3
Total long-term available-for-sale securities	49.8	75.4
Total	$ 746.7	$ 610.9

Cash and cash equivalents not subject to restrictions were $518.1 million at September 30, 2010, a decrease of $17.4 million compared to $535.5 million as of September 30, 2009. This decrease does not represent a decrease in liquidity, but was driven primarily by $147.7 million of net purchases of available-for-sale securities. The securities purchased primarily include corporate commercial paper, certificates of deposit, bonds and U.S. government and agency obligations. In accordance with our investment policy, the securities carry a credit rating of A+ or higher.

On June 8, 2010, we entered into a settlement agreement with Merrill Lynch and its agent/broker in connection with certain auction rate securities they sold to us. The settlement agreement resulted in our receiving $56.5 million in cash and provided for us to retain ownership in the auction rate securities. During 2009, we made a claim in the Lehman Brothers bankruptcy proceeding with respect to auction rate securities they sold to us, but at this time we are uncertain whether we will recover any of our losses associated with these securities.

As of September 30, 2010, we have sold substantially all of our auction rates securities. During the twelve months ended September 30, 2010, we sold auction rate securities having a par value of $169.1 million for proceeds of $31.4 million. As a result of these sales, we recorded net gains of $7.5 million within Other Income (Expense), Net (refer to Note 2).

Restricted cash balances that are pledged primarily as collateral for letters of credit and derivative transactions also affect our liquidity. As of September 30, 2010, we had restricted cash of $7.7 million compared to $25.0 million as of September 30, 2009, a decrease of $17.3 million. The decrease is primarily a result of the release of $13.2 million of cash collateral relating to our interest rate swap as this requirement is now secured under the Credit Facility, as defined below. 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.

Operating Activities

Net cash provided by operating activities from continuing operations for fiscal 2010 was $140.8 million. This was driven primarily by results from continuing operations after adjustments for certain non-cash items, including $61.5 million of depreciation and amortization, partially offset by cash used for working capital. 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 fiscal 2009 was $97.2 million. This was driven primarily by results from continuing operations after adjustments for certain non-cash items, including the $407.9 million goodwill and intangible impairment recorded in the first quarter of fiscal 2009, partially offset by cash used for working capital.

Net cash provided by operating activities from continuing operations for fiscal 2008 totaled $189.5 million. This was driven primarily by results from continuing operations after adjustments for certain non-cash items, including the $100.6 million impairment loss on available-for-sale securities, partially offset by cash used for working capital.

Investing Activities

Investing activities from continuing operations used $152.5 million of cash during fiscal 2010. Cash used by investing activities included $147.7 million of net purchases of available-for-sale securities and $29.4 million of property, patent and equipment additions, partially offset by a decrease in restricted cash of $17.0 million and $11.7 million of cash received for the divestitures of certain businesses.

Investing activities from continuing operations used $87.9 million of cash during fiscal 2009. Cash used by investing activities included $51.2 million of net purchases of long-term investments, $32.0 million of property, patent and equipment additions and an increase in restricted cash of $9.1 million, partially offset by $5.3 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.

Investing activities from continuing operations used $213.5 million of cash during fiscal 2008. Cash used by investing activities included $146.0 million for the acquisition of LGC Wireless, $52.3 million for the acquisition of Century Man, a $4.0 million investment in ip.access, a $1.2 million investment in E-Band and $42.4 million of property, equipment and patent additions. This was offset partially by $35.1 million of net sales of available-for-sale securities.

Financing Activities

Financing activities used $2.3 million of cash during fiscal 2010 for payment of debt and debt financing costs. Financing activities used $96.8 million of cash during fiscal 2009, of which $94.1 million was due to common stock repurchases. Financing activities provided $163.8 million of cash during fiscal 2008. The higher amount in fiscal 2008 was due to the issuance of $450 million of convertible debt discussed in Note 8 to the financial statements, less payments for the financing costs associated with debt, the $200.0 million payment of our 2008 convertible notes and payments made on LGC Wireless and Century Man debt. Fiscal 2008 results also included $56.5 million of common stock repurchases.

Outstanding Debt and Credit Facility

As of September 30, 2010, we had outstanding the following $650.0 million of convertible unsecured subordinated notes:

	September 30, 2010	Conversion Price
	(In millions)	
Convertible subordinated notes, six-month LIBOR plus 0.375%, due June 15, 2013	$ 200.0	$ 28.091
Convertible subordinated notes, 3.5% fixed rate, due July 15, 2015	225.0	27.00
Convertible subordinated notes, 3.5% fixed rate, due July 15, 2017	225.0	28.55
Total convertible subordinated notes	$ 650.0	

See Note 8 to the Consolidated Financial Statements in Item 8 of this report for more information on these notes.

From time to time, we may use interest rate swaps to manage interest costs and the risk associated with changing interest rates. We do not enter into interest rate swaps for speculative purposes. On April 29, 2008, we entered into an interest rate swap effective June 15, 2008, for a notional amount of $200.0 million. The interest rate swap hedges the exposure to changes in interest rates of our $200.0 million of convertible unsecured subordinated notes that have a variable interest rate of six-month LIBOR plus 0.375% and a maturity date of June 15, 2013. We have designated the interest rate swap as a cash flow hedge for accounting purposes. The swap is structured so that we receive six-month LIBOR and pay a fixed rate of 4.0% (before the credit spread of 0.375%). The variable portion we receive resets semiannually and both sides of the swap are settled net semiannually based on the $200.0 million notional amount. The swap matures concurrently with the end of the debt obligation.

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 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.

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. As of September 30, 2009, we pledged $13.2 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 six-month forward LIBOR.

On December 18, 2009, we entered into a new asset-backed revolving credit facility with Wachovia Bank National Association (the Credit Facility) in the amount of up to $75.0 million. Drawings under the Credit Facility may be used for general operating, working capital and other corporate purposes. Additionally, availability under the Credit Facility may be used to issue letters of credit or to secure hedging obligations. Along with the parent company, two U.S-based subsidiaries are borrowers and three other U.S.-based subsidiaries provide guarantees of obligations under the Credit Facility.

The Credit Facility has a scheduled expiration of March 15, 2013 and is secured by various U.S. assets including accounts receivable, inventory, and machinery and equipment. We also granted a security interest in the capital stock of the two subsidiary borrowers and one of the guarantors. Borrowings under the Credit Facility will rank on parity in right of payment with all other senior indebtedness that may be outstanding from time to time. Availability of borrowings is based on measurements of accounts receivable and inventory less standard reserves. The Credit Facility size may be increased up to $100.0 million, subject to certain terms and conditions.

Under the Credit Facility, we must comply with various financial and non-financial covenants. Among other things, the financial covenants require us to maintain a minimum amount of liquidity, defined as cash and certain investments located in the U.S. plus availability under the Credit Facility, equal to $150.0 million. Additionally, when borrowing availability under the Credit Facility drops below a specified level, we must maintain a fixed charge coverage ratio of 1.0. This ratio is defined as consolidated EBITDA divided by the sum of certain fixed payments. Non-financial covenants include limitations on, among other things, asset dispositions and acquisitions, liens, and debt issuances. Our ability to repurchase debt, equity and pay cash dividends is contingent upon ADC maintaining certain levels of liquidity. As of September 30, 2010 we were in compliance with all covenants under the Credit Facility.

Borrowings under the Credit Facility bear interest at the one, two or three month LIBOR or a base rate plus a specified margin. We pay an annual commitment fee of 1% on any unused portion of the facility. The amount available under the Credit Facility will fluctuate based on seasonality of our sales and the value of any hedging obligations and letters of credit secured under the Credit Facility. As of September 30, 2010, although there were no borrowings outstanding, an $18.8 million collateral requirement under our interest rate swap agreement (refer to Note 18) as well as $2.0 million of letters of credit were secured under the Credit Facility, releasing us from a cash collateral requirement of $20.8 million. The amount secured under the Credit Facility could fluctuate significantly as the interest rate swap termination value fluctuates with the forward LIBOR. As of September 30, 2010, we have deferred $1.7 million of financing fees, $1.6 million of which was incurred during the twelve months ended September 30, 2010, related to this facility that will be amortized as interest expense over the term of the Credit Facility. No borrowings were outstanding under the Credit Facility as of November 22, 2010.

Share Repurchase

On August 12, 2008, our Board of Directors approved a share repurchase program for up to $150.0 million. 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.

Working Capital and Liquidity Outlook

Our main source of liquidity continues to be our unrestricted cash and cash equivalents and short-term available-for-sale securities. We also consider our long-term available-for-sale securities to be highly liquid. 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.

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

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Contractual Obligations and Commercial Commitments

The following table summarizes our commitments to make long-term debt and lease payments and certain other contractual obligations as of September 30, 2010:

		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-Term Debt Obligations(1)	$ 772.6	$ 24.9	$ 249.8	$ 257.1	$ 240.8
Capital Lease Obligations	0.4	0.4			
Operating Lease Obligations	67.1	15.5	24.1	16.7	10.8
Purchase Obligations(2)	35.2	35.0	0.2		
Other Liabilities (3)	7.0	3.9	1.4	1.7	
Pension Obligations	74.1	4.2	8.5	8.6	52.8
Total	$ 956.4	$ 83.9	$ 284.0	$ 284.1	$ 304.4

(1) Includes interest on our $450.0 million of fixed rate debt of 3.5% and interest on our $200.0 million of variable rate debt of 4.375%.

(2) Amounts represent non-cancelable commitments to purchase goods and services, including items such as inventory and information technology support.

(3) Represents uncertain income tax liabilities.

Application of Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions and estimates that affect the amounts reported in our Consolidated Financial Statements and accompanying notes. Note 1 to the Consolidated Financial Statements in Item 8 of this report describes the significant accounting policies and methods used in preparing the Consolidated Financial Statements. We consider the accounting policies described below to be our most critical accounting policies because they are impacted significantly by estimates we make. We base our estimates on historical experience or various assumptions that we believe to be reasonable under the circumstances, and the results form the basis for making judgments about the reported values of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates.

Revenue Recognition: We recognize revenue, net of discounts, when persuasive evidence of an arrangement exists, delivery has occurred or service has been rendered, the selling price is fixed or determinable and collectability is reasonably assured.

As part of the revenue recognition process, we determine whether collection is reasonably assured based on various factors, including an evaluation of whether there has been deterioration in the credit quality of our customers that could result in us being unable to collect the receivables. In situations where it is unclear whether we will be able to collect the receivable, revenue and related costs are deferred.

The majority of our revenue comes from product sales. Revenue from product sales is generally recognized upon shipment of the product to the customer in accordance with the terms of the sales agreement. Revenue from services consists of fees for systems requirements, design and analysis, customization and installation services, ongoing system management, enhancements and maintenance. The majority of our service revenue comes from our Professional Services business. For this business, we primarily apply the percentage-of-completion method to arrangements consisting of design, customization and installation. We measure progress towards completion by comparing actual costs incurred to total planned project costs. All other services are provided in customer arrangements with multiple deliverables.

Some of our customer arrangements include multiple deliverables, such as product sales that include services to be performed after delivery of the product. In such cases, we account for a deliverable (or a group of deliverables) separately if both of the following criteria have been met: (i) the delivered item has stand-alone value to the customer, and (ii) if we have given the customer a general right of return relative to the delivered item, the delivery or performance of the undelivered item or service is probable and substantially in our control. When the elements can be separated, product revenue is generally recognized upon shipment and service revenue upon completion. If the elements cannot be considered separate units of accounting we defer revenue, if material, until the entire arrangement (i.e., both products and services) is delivered. We elected to early adopt the provisions of ASU 2009-13 *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*. We early adopted this new guidance on a prospective basis requiring implementation from the beginning of fiscal 2009. Under this new guidance, we allocate consideration at the inception of the arrangement to all deliverables based on the relative selling price method. The adoption of this new guidance did not impact the units of accounting or have a material impact on our financial results. Because these types of arrangements make up a small portion of our business, this new guidance did not have a significant impact on the pattern or timing of revenue recognition.

Reserves for Sales Returns, Discounts, Allowances, Rebates and Distributor Price Protection Programs: We record estimated reductions to revenue for potential sales returns as well as customer programs and incentive offerings, such as discounts, allowances, rebates and distributor price protection programs. These estimates are based on contract terms, historical experience, inventory levels in the distributor channel and other factors. We believe we have sufficient historical experience to allow for reasonable and reliable estimation of these reductions to revenue.

Available-for-Sale Securities: We generally classify both debt securities with maturities of more than three months but less than one year and equity securities in publicly held companies as current available-for-sale securities. Debt securities with maturities greater than one year from the acquisition date are classified as long-term available-for-sale securities. Available-for-sale securities are recorded at fair value, and temporary unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income (loss). Upon the sale of a security classified as available-for-sale the amount reclassified out of accumulated other comprehensive income into earnings is based on the specific identification method. Unrealized losses related to equity securities are charged against net earnings when a decline in fair value is determined to be other-than-temporary. We review several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

Other-than-temporary impairments associated with debt securities are required to be separated into the amount representing the decrease in cash flows expected to be collected from a security (referred to as credit losses), which is recognized in earnings, and the amount related to other factors (referred to as noncredit losses), which is recognized in other comprehensive income. This noncredit loss component of the impairment may only be classified in other comprehensive income if both of the following conditions are met: (a) the holder of the security concludes that it does not intend to sell the security and (b) the holder concludes that it is more likely than not that the holder will not be required to sell the security before the security recovers its value. If these conditions are not met, the noncredit loss must also be recognized in earnings.

Auction rate securities, which are reflected in our available-for-sale securities at September 30, 2009, include interests in collateralized debt obligations, a portion of which are collateralized by pools of residential and commercial mortgages, interest-bearing corporate debt obligations, and non-dividend-yielding preferred stock. Liquidity for these auction rate securities historically had been provided by an auction process that reset the applicable interest rate at pre-determined intervals, usually every 7, 28, 35 or 90 days. Because of the short interest rate reset period, we had historically recorded auction rate securities in current available-for-sale securities. As of September 30, 2009, we held auction rate securities that had experienced a failed reset process and were deemed to have experienced an other-than-temporary decline in fair value. We concluded that we did not meet the conditions necessary to recognize the noncredit loss component of the other-than-temporary impairment in other comprehensive income. Accordingly, the entire amount of the loss was recorded in earnings. As of September 30, 2010, we have sold substantially all of our auction rates securities. During the twelve months ended September 30, 2010, we sold auction rate securities having a par value of $169.1 million for proceeds of $31.4 million. As a result of these sales, we recorded net gains of $7.5 million within Other Income (Expense), Net (refer to Note 2).

Restructuring Accrual: During fiscal 2010 and fiscal 2009, we recorded restructuring charges representing the direct costs of employee severance and exiting leased facilities. Significant judgment is required in estimating the restructuring costs of severance and leased facilities. Restructuring charges represent our best estimate of the associated liability at the date the charges are taken. For example, we make certain assumptions with respect to when a facility will be subleased and the amount of income that will be generated from that sublease. Adjustments for changes in assumptions are recorded as a component of operating expenses in the period they become known. Changes in assumptions could have a material effect on our restructuring accrual as well as our consolidated results of operations.

Inventories: We state our inventories at the lower of first-in, first-out cost or market. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements compared with current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements decrease due to market conditions, technological and product life cycle changes as well as longer than previously expected usage periods for previously sold equipment. It is possible that significant increases in inventory reserves may be required in the future if there is a decline in market conditions or significant change in technology. Alternatively, if we are able to sell previously reserved inventory, we will reverse a portion of the reserves. Changes in inventory reserves are recorded as a component of cost of sales. As of September 30, 2010 and 2009, we had $32.1 million and $41.8 million, respectively, reserved against our inventories, which represents 23.2% and 25.1%, respectively, of total inventory on-hand.

Impairment of Goodwill and Long-Lived Assets: Goodwill is tested for impairment annually, or more frequently if potential interim indicators exist that could result in impairment. We perform impairment reviews at a reporting unit level and use a discounted cash flow model based on management s judgment and assumptions to determine the estimated fair value of each reporting unit. Our three operating segments, Connectivity, Network Solutions and Professional Services are considered the reporting units. An impairment loss generally would be recognized when the carrying amount of the reporting unit s net assets exceeds the estimated fair value of the reporting unit.

During the first quarter of fiscal 2009, due to the global economic downturn and related adverse business conditions that resulted in reduced estimates to our near-term cash flows and a sustained decline in our market capitalization, we performed a goodwill impairment analysis for our two reporting units that contained goodwill, Connectivity and Network Solutions. The analysis, which utilized forecasts and estimates based on assumptions that were consistent with the forecasts and estimates we were using to manage our business at that time, resulted in the recognition of impairment charges for both reporting units. Accordingly, we recorded impairment charges of $366.6 million to reduce the carrying value of goodwill.

We record impairment losses on long-lived assets used in operations and finite lived intangible assets when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Any impairment loss is measured by comparing the fair value of the asset to its carrying amount. There were no material impairments of goodwill, intangible assets, or long-lived assets during fiscal 2010.

During the first quarter of fiscal 2009, we performed an impairment analysis of intangible assets held in our Connectivity and Network Solutions reporting units. The analysis, which utilized forecasts and estimates based on assumptions that were consistent with the forecasts and estimates we were using to manage our business at that time, resulted in the recognition of impairment charges for Network Solutions. Accordingly, we recorded impairment charges of $41.3 million to reduce the carrying value of these long-lived intangible assets. Further deterioration of the estimates used in our impairment analysis could result in additional impairments of intangible assets in a future period.

Income Taxes and Deferred Taxes: We currently have significant deferred tax assets (primarily in the United States) as a result of net operating loss carryforwards, tax credit carryforwards and temporary differences between taxable income on our income tax returns and income before income taxes under U.S. generally accepted accounting principles. A deferred tax asset represents future tax benefits to be received when these carryforwards can be applied against future taxable income or when expenses previously reported in our financial statements become deductible for income tax purposes.

In the third quarter of fiscal 2002, we recorded a full valuation allowance against our net deferred tax assets because we concluded that it was more likely than not that we would not realize these assets. Our decision was based on the cumulative losses we had incurred to that point as well as the full utilization of our loss carryback potential. From the third quarter of fiscal 2002 to fiscal 2005, we maintained our policy of providing a nearly full valuation allowance against all future tax benefits produced by our operating results. During fiscal 2006 to fiscal 2010, we determined our recent experience generating U.S. income, along with our projection of future U.S. income, constituted significant positive evidence for partial realization of our U.S. deferred tax assets. Although we have reported losses during fiscal 2008 and fiscal 2009, these losses were primarily attributable to impairment charges, including non-deductible goodwill which did not reduce U.S. taxable income. As of September 30, 2010 we have recognized a total of $51.6 million of our U.S. deferred tax assets expected to be realized. At one or more future dates, if sufficient positive evidence exists that it is more likely than not that additional benefits will be realized with respect to our deferred tax assets, we will release additional valuation allowance. Also, certain events, including our actual results or changes to our expectations regarding future U.S. income or other negative evidence, may result in the need to increase the valuation allowance. We had a valuation allowance of $790.3 million as of September 30, 2010.

We recognize the income tax benefit from an uncertain tax position if, based on the technical merits of the position, it is more likely than not that the tax position will be sustained upon examination by the taxing authorities. The tax benefit recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. No tax benefit has been recognized in the financial statements if the more likely than not recognition threshold has not been met. The actual tax benefits ultimately realized may differ from our estimates. In future periods, changes in facts, circumstances, and new information may require us to change the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recorded in the financial statements in the period in which the change occurs.

See Note 10 to the Consolidated Financial Statements in Item 8 of this report for further discussion of the accounting treatment for income taxes.

Share-Based Compensation: We use the Black-Scholes Model for purposes of determining estimated fair value of share-based payment awards on the date of grant. The Black-Scholes Model requires certain assumptions that involve judgment. Because our employee stock options and restricted stock units have characteristics significantly different from those of publicly traded options, and because changes in the input assumptions can materially affect the fair value estimate, the existing models may not provide a reliable single measure of the fair value of our share-based payment awards. Management will continue to assess the assumptions and methodologies used to calculate estimated fair value of share-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies and thereby materially impact our fair value determination. If factors change and we employ different assumptions, the compensation expense that we record may differ significantly from what we have recorded in the current period. We elected to adopt the alternative transition method provided for purposes of calculating the pool of excess tax benefits available to absorb tax deficiencies recognized.

Recently Adopted Accounting Pronouncements

Business combinations and non-controlling interests

In December 2007, the FASB issued new accounting guidance related to business combinations and non-controlling interests in consolidated financial statements. In addition to other changes in practice, the guidance requires the acquiring entity in a business combination to recognize and measure all assets acquired and liabilities assumed at their respective acquisition date fair values. The guidance also requires non-controlling interests in a subsidiary to be reported as equity in the financial statements, separate from the parent s equity. We have adopted this guidance effective October 1, 2009. We have reclassified financial statement line items within our condensed consolidated balance sheets and statements of operations for the prior period to conform to the non-controlling interest guidance. Additionally, see the Consolidated Statements of Shareowners Investment and Note 13 for disclosures reflecting the impact of the new guidance on our reconciliations of equity and comprehensive income, respectively.

Fair Value Measurements

In January 2010, the FASB issued new accounting guidance regarding disclosures about fair value measurements. The guidance requires additional disclosures concerning transfers between the levels within the fair value hierarchy and information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. The new guidance also clarifies the requirement to provide fair value measurement disclosures for each class of asset and liability and clarifies the requirement to disclose information about both the valuation techniques and inputs used to estimate Level 2 and Level 3 measurements. We adopted this guidance effective January 2, 2010. The adoption of this guidance resulted in additional disclosures and had no material impact on our consolidated financial statements.

In September 2006, the FASB issued new accounting guidance related to fair value measurements. In February 2008, the FASB issued guidance delaying the effective date of the accounting guidance for nonfinancial assets and nonfinancial liabilities until the beginning of fiscal 2010, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted this guidance effective October 1, 2009. The adoption of the guidance had no material impact on our consolidated financial statements.

In August 2009, the FASB issued guidance regarding measuring liabilities at fair value. This guidance clarifies how the fair value of a liability should be determined. Among other things, the guidance clarifies how the price of a traded debt security (i.e., an asset value) should be considered in estimating the fair value of the issuer s liability. We adopted this guidance effective October 1, 2009. The adoption of this guidance had no material impact on our consolidated financial statements.

Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement)

In May 2008, the FASB issued accounting guidance that clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The accounting guidance requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer s nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The guidance requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on debt to be recognized as part of interest expense. The guidance requires retrospective application to the terms of the instruments as they existed for all periods presented. We adopted the guidance effective October 1, 2009. The adoption of the guidance did not impact our consolidated financial statements because our convertible debt cannot be settled in cash upon conversion.

Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity s Own Stock

In June 2008, the FASB issued accounting guidance regarding the determination of whether an instrument (or an embedded feature) is indexed to an entity s own stock. The guidance provides that the entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock. This includes evaluating the instrument s contingent exercise and settlement provisions. It also clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. We adopted the guidance effective October 1, 2009. The adoption of the guidance had no material impact on our consolidated financial statements.

Consolidation of Variable Interest Entities

In June 2009, FASB issued guidance that revises the consolidation of variable interest entities by requiring an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This guidance requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. We are required to adopt the guidance in the first quarter of 2011. The adoption of the guidance will not have a material impact on our consolidated financial statements.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB issued accounting guidance that expanded the disclosures regarding the allowance for credit losses and the credit quality of financing receivables. The guidance requires additional disclosures be made addressing the nature of the credit risk, how the risk is analyzed and any changes in accounting for the allowance for credit losses for any companies that have significant financing receivables, excluding short-term trade accounts receivables. We are required to adopt the guidance in the first quarter of 2011. The adoption of the guidance will not have a material impact on our consolidated financial statements.

Accounting for Technical Amendments to Various SEC Rules and Schedules

In August 2010, the FASB issued accounting guidance requiring an analysis of changes in non-controlling interests for the reporting period in a separate statement or footnote. This analysis should consist of reconciliation from the beginning balance to the ending balance for each period in which an income statement is presented. Significant reconciling items, like changes in the ownership interest of a subsidiary, should be stated separately in the analysis. We are required to adopt the guidance in the first quarter of 2011. The adoption of the guidance will not have a material impact on our consolidated financial statements.

We have determined that all other recently issued accounting standards will not have a material impact on our Consolidated Financial Statements, or do not apply to our operations.

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 the proposed merger transaction with Tyco Electronics Ltd. and the related litigation, statements about future sales, profit percentages, earnings per share and other results of operations; statements about shareholder value; expectations or beliefs regarding the industry in which we operate and the macro-economy generally; statements about our cost cutting initiatives; 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: uncertainties as to the timing of the merger transaction with Tyco Electronics Ltd.; the possibility that various closing conditions for the merger transaction may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction; the effects of the merger transaction on our relationships with employees, customers, vendors and other business partners; the risk that shareholder litigation in connection with the merger transaction may result in significant costs of defense, indemnification and liability; 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; our ability to reduce costs without adversely affecting our ability to serve our customers; changing regulatory conditions and macro-economic 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 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 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; 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 as well as our reliance on our operation of a limited number of significant manufacturing facilities around the world; 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 or other developing countries; our ability to defend or settle satisfactorily any litigation; and other risks and uncertainties including those identified in the section captioned Risk Factors in Item 1A of this Annual Report on Form 10-K for the year ended September 30, 2010. 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 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Our major market risk exposures relate to adverse fluctuations in certain commodity prices, interest rates, security prices and foreign currency exchange rates. Market fluctuations in any of these prices or rates could affect our results of operations and financial condition adversely. At times, we attempt to reduce this risk through the use of derivative financial instruments. We do not enter into derivative financial instruments for the purpose of speculation.

We use certain commodities and other raw materials in the production of our products that are subject to price volatility caused by many factors, including supply conditions, demand levels, political and economic variables and other unpredictable factors. Management attempts to mitigate these risks through effective requirements planning and by working closely with key suppliers to obtain the best possible pricing and delivery terms. In addition, in certain areas of our business where contractual terms allow, we are able to pass-through a portion of this volatility to our customers, although this pass-through typically occurs on a delayed basis due to internal processing time and, potentially, contractual terms. We periodically evaluate our commodity pricing exposures and have considered the use of derivative instruments to hedge our commodity price risks, but, to date, we have concluded that it was not cost beneficial to utilize derivative instruments for this purpose.

We are exposed to fluctuations in interest rates through the issuance of variable rate debt and by investing our cash holdings in short-term investments. We mitigate our exposures to interest rate fluctuations related to our debt by entering into derivative instruments which can reduce exposure to interest rate volatility.

For example, on April 29, 2008, we entered into an interest rate swap effective June 15, 2008, for a notional amount of $200 million to hedge the risk associated with the floating interest rate of our $200 million of convertible unsecured subordinated notes that have a variable interest rate of six-month LIBOR plus 0.375% and a maturity date of June 15, 2013. For this interest rate swap, we pay the counterparty the equivalent of a fixed rate interest payment of 4.0% on a predetermined notional value, and we receive the equivalent of a floating interest payment based on a six-month LIBOR rate calculated on the same notional value. If the interest rate swap had been discontinued on September 30, 2010, we would have owed the counterparties approximately $16.8 million. Because we have mitigated the interest rate exposure on our variable rate long term debt by entering into this interest rate swap agreement, effectively fixing the interest rate we pay on our variable rate long-term debt, a 10% increase or decrease in interest rates on our debt obligations would have a nominal impact on our income (loss) before income taxes.

We also are exposed to market risk from changes in foreign currency exchange rates as we conduct business globally in numerous currencies. Our primary risk is the effect of foreign currency exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating sales and expenses. For example, if the U.S. dollar strengthens relative to other currencies, such strengthening could have an indirect effect on our sales to the extent it raises the cost of our products to non-U.S. customers and thereby reduces demand. A weaker U.S. dollar could have the opposite effect. However, the precise indirect effect of currency fluctuations is difficult to measure or predict because our sales are influenced by many factors in addition to the impact of such currency fluctuations. Our largest exposure is related to the Mexican peso. We estimate that a 10% weakening in the U.S. dollar to the Mexican peso would result in a $4.3 million reduction to our operating income due to the impact of the change on our Mexican peso denominated sales and expenses.

As of September 30, 2010, we have entered into a series of forward contracts and costless collars to mitigate a certain portion of our expected exposure to the Mexican peso in fiscal 2011. The forward contracts enable us to purchase Mexican pesos at specified rates and the collars establish a cap and a floor on the price at which we purchase pesos. These forward contracts and collars have been designated as cash flow hedges.

We also are exposed to foreign currency exchange risk as a result of changes in intercompany balance sheet accounts and other balance sheet items. At September 30, 2010, these balance sheet exposures were mitigated through the use of foreign exchange forward contracts with maturities of approximately one month. The principal currency exposures being mitigated were the Australian dollar, Brazilian real, British pound, Chinese renminbi, Czech koruna, euro, Mexican peso, Singapore dollar, Indian Rupee, New Zealand dollar and South African rand.

See Note 1 to the Consolidated Financial Statements in Item 8 of this report for information about our foreign currency exchange-derivative program.

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Item 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareowners
ADC Telecommunications, Inc.

We have audited the accompanying consolidated balance sheets of ADC Telecommunications, Inc. and subsidiaries as of September 30, 2010 and 2009, and the related consolidated statements of operations, shareowners investment and cash flows for the year ended September 30, 2010, the eleven-month period ended September 30, 2009, and the year ended October 31, 2008. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and the schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ADC Telecommunications, Inc. and subsidiaries at September 30, 2010 and 2009, and the consolidated results of their operations and their cash flows for the year ended September 30, 2010, the eleven-month period ended September 30, 2009, and the year ended October 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective October 1, 2009, the Company adopted new rules regarding the accounting for non-controlling interests.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ADC Telecommunications, Inc. s internal control over financial reporting as of September 30, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 23, 2010, expressed an unqualified opinion thereon.

Ernst & Young LLP
Minneapolis, Minnesota
November 23, 2010

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ADC Telecommunications, Inc. and Subsidiaries
Consolidated Statements of Operations

	For the Year Ended September 30, 2010	For 11 Months Ended September 30, 2009	For 11 Months Ended September 26, 2008 (Unaudited proforma)	For the Year Ended October 31, 2008
	(In millions, except earnings per share)			
Net Sales:				
Products	$ 998.0	$ 875.2	$ 1,160.7	$ 1,289.0
Services	158.6	115.0	134.2	153.6
Total net sales	1,156.6	990.2	1,294.9	1,442.6
Cost of Sales:				
Products	629.0	569.1	730.0	831.0
Services	109.7	93.9	116.1	130.3
Total cost of sales	738.7	663.0	846.1	961.3
Gross Profit	417.9	327.2	448.8	481.3
Operating Expenses:				
Research and development	69.7	60.1	70.1	76.2
Selling and administration	288.3	240.7	299.2	323.2
Impairment charges	0.9	408.9		4.1
Restructuring charges	13.1	34.2	2.7	11.1
Total operating expenses	372.0	743.9	372.0	414.6
Operating Income (Loss)	45.9	(416.7)	76.8	66.7
Other Income (Expense), Net	39.7	(39.3)	(74.3)	(100.6)
Income (Loss) Before Income Taxes	85.6	(456.0)	2.5	(33.9)
Provision (Benefit) For Income Taxes	7.1	(3.1)	10.6	6.2
Income (Loss) From Continuing Operations	78.5	(452.9)	(8.1)	(40.1)
Discontinued Operations, Net of Tax:				
Income (loss) from discontinued operations	(2.0)	(17.5)	(2.4)	(2.5)
Loss on sale or write-down of discontinued operations, net	(13.2)	(5.2)		
Total discontinued operations, net of tax	(15.2)	(22.7)	(2.4)	(2.5)
Net Income (Loss)	$ 63.3	$ (475.6)	$ (10.5)	$ (42.6)
	1.3	(1.3)	(0.5)	(0.7)

Net Income (Loss) Available to Non-controlling Interests							
Net Income (Loss) Available to Common Shareowners	$	62.0	$ (474.3)	$	(10.0)	$	(41.9)
Comprehensive Income (Loss) Available to ADC Common Shareowners	$	55.4	$ (473.6)	$	(14.4)	$	(58.7)
Comprehensive Income (Loss) Available to Non-controlling Interests		1.3	(1.3)		(0.5)		(0.7)
Comprehensive Income (Loss)	$	56.7	$ (474.9)	$	(14.9)	$	(59.4)
Weighted Average Common Shares Outstanding (Basic)		96.9	97.4		117.6		117.1
Weighted Average Common Shares Outstanding (Diluted)		98.5	97.4		117.6		117.1
Basic Income (Loss) Per Share:							
Continuing operations available to ADC common shareowners	$	0.80	$ (4.64)	$	(0.06)	$	(0.34)
Discontinued operations available to ADC common shareowners	$	(0.16)	$ (0.23)	$	(0.03)	$	(0.02)
Net income (loss) available to ADC common shareowners	$	0.64	$ (4.87)	$	(0.09)	$	(0.36)
Diluted Income (Loss) Per Share:							
Continuing operations available to ADC common shareowners	$	0.78	$ (4.64)	$	(0.06)	$	(0.34)
Discontinued operations available to ADC common shareowners	$	(0.15)	$ (0.23)	$	(0.03)	$	(0.02)
Net income (loss) available to ADC common shareowners	$	0.63	$ (4.87)	$	(0.09)	$	(0.36)

The accompanying notes are an integral part of these Consolidated Financial Statements.

ADC Telecommunications, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2010	September 30, 2009
	(In millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 518.1	$ 535.5
Available-for-sale securities	178.8	
Accounts receivable, net of reserves of $11.7 and $9.8	219.3	180.1
Unbilled revenues	33.2	17.5
Inventories, net of reserves of $32.1 and $41.8	106.4	124.6
Prepaid and other current assets	51.9	33.3
Assets of discontinued operations		9.8
Total current assets	1,107.7	900.8
Property and equipment, net of accumulated depreciation of $409.8 and $410.1	146.5	162.8
Restricted cash	7.7	25.0
Goodwill	6.1	0.2
Intangibles, net of accumulated amortization of $170.6 and $144.4	75.8	93.3
Long-term available-for-sale securities	49.8	75.4
Other assets	80.9	86.1
Total assets	$ 1,474.5	$ 1,343.6
LIABILITIES AND SHAREOWNERS INVESTMENT		
Current Liabilities:		
Current portion of long-term notes payable	$ 0.3	$ 0.6
Accounts payable	97.2	83.0
Accrued compensation and benefits	101.6	57.8
Other accrued liabilities	74.9	63.8
Income taxes payable	4.7	5.9
Restructuring accrual	9.5	22.5
Liabilities of discontinued operations	0.5	2.5
Total current liabilities	288.7	236.1
Pension obligations and other long-term liabilities	100.6	95.6
Long-term notes payable	650.8	651.0
Total liabilities	1,040.1	982.7
Shareowners Investment:		
Preferred stock, $0.00 par value; authorized 10.0 shares; none issued or outstanding		
Common stock, $0.20 par value; authorized 342.9 shares; issued and outstanding 97.2 and 96.6 shares	23.7	23.6

Paid-in capital	1,324.3	1,311.9
Accumulated deficit	(898.4)	(965.9)
Accumulated other comprehensive income (loss)	(20.0)	(13.4)
Non-controlling interests	4.8	4.7
Total shareowners investment	434.4	360.9
Total liabilities and shareowners investment	$ 1,474.5	$ 1,343.6

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ADC Telecommunications, Inc. and Subsidiaries

Consolidated Statements of Shareowners Investment

	Common Stock		Paid-In	Accumulated	Accumulated Other Comprehensive Income	Non-Controlling	
	Shares	Amount	Capital	Deficit	(Loss)	Interests	Total
				(In millions)			
Balance, October 31, 2007	117.6	$ 23.5	$ 1,432.3	$ (450.9)	$ 2.7	$ 9.7	$ 1,017.3
Net income (loss)				(41.9)		(0.7)	(42.6)
Other comprehensive income, net of tax:							
Translation loss, net of taxes of $0.0					(21.9)		(21.9)
Pension obligation adjustment, net of taxes of $0.0					7.2		7.2
Unrealized gain on securities, net of taxes of $0.0					0.5		0.5
Unrealized gain on foreign currency hedge, net of taxes of $0.0					0.2		0.2
Net change in fair value of interest rate swap, net of taxes of $0.0					(2.8)		(2.8)
Total comprehensive income/(loss)							(59.4)
LGC options exchanged for ADC options			3.0				3.0
Adoption of new accounting guidance related to uncertain tax positions				1.4			1.4
Exercise of common stock options and restricted stock releases	0.1		0.2				0.2
Common stock purchases	(6.4)		(56.5)				(56.5)
Share-based compensation expense			17.2				17.2
Purchase of subsidiary shares from non-controlling interests							
Distributions to non-controlling interests						(0.6)	(0.6)
Other			0.1	(0.1)		0.2	0.2
Balance, October 31, 2008	111.3	23.5	1,396.3	(491.5)	(14.1)	8.6	922.8
Net income (loss)				(474.3)		(1.3)	(475.6)

Other comprehensive income, net of tax:							
Translation gain, net of taxes of $0.0					12.1		12.1
Pension obligation adjustment, net of taxes of $0.0					(5.0)		(5.0)
Unrealized gain on auction rate securities, net of taxes of $0.0					2.3		2.3
Unrealized gain on other available-for-sale securities, net of taxes of $0.0					0.5		0.5
Unrealized gain on foreign currency hedge, net of taxes of $0.0					0.2		0.2
Net change in fair value of interest rate swap, net of taxes of $0.0					(9.4)		(9.4)
Total comprehensive income/(loss)							(474.9)
Exercise of common stock options and restricted stock releases	0.2		(0.5)				(0.5)
Common stock purchases	(14.9)		(94.1)				(94.1)
Share-based compensation expense			10.3				10.3
Purchase of subsidiary shares from non-controlling interests						(0.1)	(0.1)
Distributions to non-controlling interests						(0.2)	(0.2)
Other		0.1	(0.1)	(0.1)		(2.3)	(2.4)
Balance, September 30, 2009	96.6	23.6	$ 1,311.9	$ (965.9)	$ (13.4)	4.7	$ 360.9
Net income (loss)				62.0		1.3	63.3
Other comprehensive income, net of tax:							
Translation gain, net of taxes of $0.0					12.3		12.3
Pension obligation adjustment, net of taxes of $0.0					(11.8)		(11.8)
Unrealized gain on auction rate securities, net of taxes of $0.0					(2.9)		(2.9)
Unrealized gain on other available-for-sale securities, net of taxes of $0.0							
Unrealized gain on foreign currency hedge, net of taxes of $0.0					0.4		0.4
					(4.6)		(4.6)

Net change in fair value of interest rate swap, net of taxes of $0.0							
Total comprehensive income/(loss)							56.7
Exercise of common stock options and restricted stock releases	0.6	0.1	(1.1)				(1.0)
Common stock purchases							
Share-based compensation expense			13.7				13.7
Purchase of subsidiary shares from non-controlling interests			(0.2)			(0.4)	(0.6)
Distributions to non-controlling interests						(0.8)	(0.8)
Other (1)				5.5			5.5
Balance, September 30, 2010	97.2	$ 23.7	$ 1,324.3	$ (898.4)	$ (20.0)	4.8	$ 434.4

(1) Reclassification of credit losses related to auction rate securities

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ADC Telecommunications, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Year Ended September 30, 2010	For the 11 Months Ended September 30, 2009	For the 11 Months Ended September 26, 2008 (Unaudited proforma)	For the Year Ended October 31, 2008
	(In millions)			
Operating Activities:				
Income (loss) from continuing operations	$ 78.5	$ (452.9)	$ (8.1)	$ (40.1)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities from continuing operations:				
Inventory write-offs	4.6	15.4	9.2	25.0
Fixed asset impairments	0.9	1.0		0.7
Goodwill impairment		366.6		
Intangibles impairment		41.3		3.4
Write-down of available-for-sale securities	3.1	18.4	74.2	100.6
Depreciation and amortization	61.5	66.0	73.5	80.8
Restructuring expenses	13.1	34.2	2.7	11.1
Provision for bad debt	2.0	2.2	0.4	0.5
Change in warranty reserve	(1.3)	(0.1)	(0.5)	1.1
Non-cash stock compensation	14.7	10.6	15.1	17.2
Change in deferred income taxes	(0.3)	(5.8)	2.0	1.5
Amortization of deferred financing costs	2.3	2.8	2.2	2.4
Gain on sale of investments	(7.5)			
Loss/(gain) on sale of property and equipment	1.4	(0.9)	0.3	0.5
Gain on sale of RF signal management product line	(15.9)			
Write-down of cost method investment	5.3	3.0		
Other, net	3.6	(1.5)	(0.7)	10.9
Changes in operating assets and liabilities, net of acquisitions and divestitures:				
Accounts receivable and unbilled revenues (increase)/ decrease	(56.1)	41.7	14.8	4.9
Inventories (increase)/decrease	13.8	23.0	(11.1)	(6.7)
Prepaid and other assets (increase)/decrease	(20.6)	1.1	0.2	(1.9)
Accounts payable increase/(decrease)	14.7	(17.8)	(25.3)	(12.7)
Accrued liabilities increase/(decrease)	34.8	(46.1)	0.2	(16.9)
Pension liabilities increase/(decrease)	(11.8)	(5.0)		7.2
Total cash provided by operating activities from continuing operations	140.8	97.2	149.1	189.5

Total cash used for operating activities from discontinued operations	(4.2)	(17.3)	(18.0)	(13.9)
Total cash provided by operating activities	136.6	79.9	131.1	175.6
Investing Activities:				
Acquisitions, net of cash acquired	(4.4)	(3.5)	(199.4)	(198.3)
Purchase of interest in unconsolidated affiliates	(1.0)	(1.3)	(5.2)	(5.2)
Divestitures, net of cash disposed	11.7	3.3		
Property, equipment and patent additions	(29.4)	(32.0)	(37.1)	(42.4)
Proceeds from disposal of property and equipment	1.3	5.3	0.3	0.3
Decrease/(increase) in restricted cash	17.0	(9.1)	(0.7)	(3.0)
Purchase of available-for-sale securities	(216.2)	(51.4)	(16.5)	(4.6)
Sale of available-for-sale securities	68.5	0.2	39.7	39.7
Other		0.6	0.1	
Total cash used for investing activities from continuing operations	(152.5)	(87.9)	(218.8)	(213.5)
Total cash used for investing activities from discontinued operations		(2.3)	(0.4)	(0.4)
Total cash used for investing activities	(152.5)	(90.2)	(219.2)	(213.9)
Financing Activities:				
Debt issuance			450.0	451.6
Payments of financing costs	(1.6)		(10.7)	(10.7)
Debt payments	(0.7)	(2.7)	(218.9)	(221.1)
Common stock purchased		(94.1)	(49.5)	(56.5)
Common stock issued			0.5	0.5
Total cash (used for)/provided by financing activities	(2.3)	(96.8)	171.4	163.8
Effect of Exchange Rate Changes on Cash	0.8	11.2	(1.6)	(14.3)
(Decrease)/increase in Cash and Cash Equivalents	(17.4)	(95.9)	81.7	111.2
Cash and Cash Equivalents, Beginning of Period	535.5	631.4	520.2	520.2
Cash and Cash Equivalents, End of Period	$ 518.1	$ 535.5	$ 601.9	$ 631.4

The accompanying notes are an integral part of these Consolidated Financial Statements.

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

On July 12, 2010, we entered into an Agreement and Plan of Merger with Tyco Electronics Ltd., a Swiss company, and its indirect subsidiary, Tyco Electronics Minnesota, Inc. (each such company individually as well as collectively, Tyco Electronics), which was amended as of July 24, 2010. Pursuant to that merger agreement, on July 26, 2010, Tyco Electronics commenced a tender offer to purchase all of our outstanding shares of common stock at a purchase price of $12.75 per share in cash. The closing of the transaction has not yet taken place, although we presently expect it will occur during the first quarter of our fiscal year 2011. The closing of the transactions contemplated by the Merger Agreement remains subject to certain regulatory clearances. If the Merger Agreement is terminated under certain circumstances, we may be required to pay Tyco Electronics a termination fee of $38,000,000.

Business: 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 mainly at the edge 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.

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 their integration of broadband communications equipment used in wireline, wireless, cable and enterprise networks. By providing these services, we have additional opportunities to sell our 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 have the following three reportable business segments:

- Connectivity
- Network Solutions
- Professional Services

Our *Connectivity* products connect wireline, wireless, cable, enterprise and broadcast communications networks over fiber-optic, copper (twisted pair), coaxial, 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 and broadband access for wireline networks. These products improve signal quality, increase coverage and capacity into expanded geographic areas, enhance 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 cell site amplifiers.

Our *Professional Services* business provides integration services primarily in North America 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.

Principles of Consolidation: The consolidated financial statements include the accounts of ADC Telecommunications, Inc., a Minnesota corporation, and all of our majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. In these Notes to Consolidated Financial Statements, ADC and its majority owned subsidiaries are collectively referred to as ADC, we, us or our.

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Discontinued Operations: During the first quarter of fiscal 2010, our Board of Directors approved a plan to divest our GSM base station and switching business (GSM Business). During the fourth quarter of fiscal 2008, our Board of Directors approved a plan to divest our professional services business in Germany (APS Germany). During the third quarter of fiscal 2006, our Board of Directors approved a plan to divest our professional services business in France (APS France). These businesses were classified as discontinued operations for all periods presented.

Fiscal Year: 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 resulted in our fiscal year 2009 being shortened from 12 months to 11 months and ending on September 30th. Our first three quarters end on the Friday nearest to the end of December, March and June, respectively, and our fiscal year ends on September 30.

As a result of the fiscal year change, the unaudited comparative information for the 11 months ended September 26, 2008 is included in the consolidated statement of operations and consolidated statement of cash flows.

Cash and Cash Equivalents: Cash equivalents represent short-term investments in money market instruments with original maturities of three months or less. The carrying amounts of these investments approximate fair value due to the investments short maturities.

Restricted Cash: Restricted cash consists primarily of collateral for letters of credit, derivative credit obligations, and lease obligations which is expected to become available to us upon satisfaction of the obligations pursuant to which the letters of credit or guarantees were issued.

Available-for-Sale Securities: We generally classify both debt securities with maturities of more than three months but less than one year and equity securities in publicly held companies as current available-for-sale securities. Debt securities with maturities greater than one year from the acquisition date are classified as long-term available-for-sale securities. Available-for-sale securities are recorded at fair value, and temporary unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income (loss). Upon the sale of a security classified as available-for-sale the amount reclassified out of accumulated other comprehensive income into earnings is based on the specific identification method. Unrealized losses related to equity securities are charged against net earnings when a decline in fair value is determined to be other-than-temporary. We review several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

Other-than-temporary impairments associated with debt securities are required to be separated into the amount representing the decrease in cash flows expected to be collected from a security (referred to as credit losses), which is recognized in earnings, and the amount related to other factors (referred to as noncredit losses), which is recognized in other comprehensive income. This noncredit loss component of the impairment may only be classified in other comprehensive income if both of the following conditions are met: (a) the holder of the security concludes that it does not intend to sell the security and (b) the holder concludes that it is more likely than not that the holder will not be required to sell the security before the security recovers its value. If these conditions are not met, the noncredit loss must also be recognized in earnings.

Auction rate securities, which are reflected in our available-for-sale securities at September 30, 2009, include interests in collateralized debt obligations, a portion of which are collateralized by pools of residential and commercial mortgages, interest-bearing corporate debt obligations, and non-dividend-yielding preferred stock. Liquidity for these auction rate securities historically had been provided by an auction process that reset the applicable interest rate at pre-determined intervals, usually every 7, 28, 35 or 90 days. Because of the short interest rate reset period, we had historically recorded auction rate securities in current available-for-sale securities. As of September 30, 2009, we held auction rate securities that had experienced a failed reset process and were deemed to have experienced an other-than-temporary decline in fair value. We concluded that we did not meet the conditions necessary to recognize the noncredit loss component of the other-than-temporary impairment in other comprehensive income. Accordingly, the entire amount of the loss was recorded in earnings. As of September 30, 2010, we have sold substantially all of our auction rates securities. During the twelve months ended September 30, 2010, we sold auction rate securities having a par value of $169.1 million for proceeds of $31.4 million. As a result of these sales, we recorded net gains of $7.5 million within Other Income (Expense), Net (refer to Note 2).

ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Inventories: Inventories include material, labor and overhead and are stated at the lower of first-in, first-out cost or market. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements compared to current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements decrease due to market conditions, technological and product life cycle changes, and longer than previously expected usage periods.

Property and Equipment: Property and equipment are recorded at cost and depreciated using the straight-line method. Useful lives for property and equipment are 5 to 25 years for buildings, 3 to 5 years for machinery and equipment and 3 to 10 years for furniture and fixtures. Both straight-line and accelerated methods of depreciation are used for income tax purposes.

Investments in Cost Method Investees: Non-controlling interests in non-public companies are accounted for under the cost method as we do not have the ability to exercise significant influence over the companies operations. Under the cost method, the investments are carried at cost and only adjusted for other-than-temporary declines in fair value and distributions of earnings. We regularly evaluate the recoverability of these investments based on the performance and financial position of the companies. During fiscal 2010, we recorded a $5.3 million other-than-temporary impairment to our investment in ip.access Ltd. During fiscal 2009, we recorded a $3.0 million other-than-temporary impairment to our investment in E-Band Communications Corporation. See Note 6 for further discussion of our cost method investments and related other-than-temporary impairments. The carrying value of our cost method investments is included in the other assets line item of the balance sheet.

Goodwill and Other Intangible Assets: Goodwill is assigned to reporting units, which are consistent with our operating segments, based on the difference between the purchase price as allocated to the reporting units and the fair value of the net assets acquired as allocated to the reporting units. Our other intangible assets (consisting primarily of technology, trademarks, customer lists, non-compete agreements, distributor network and patents) with finite lives are carried at their estimated fair values at the time of acquisition and are amortized on a straight-line basis over their estimated useful lives, which currently range from one to twenty years.

Impairment of Goodwill and Long-Lived Assets: Goodwill is tested for impairment annually, or more frequently if potential interim indicators exist that could result in impairment. We perform impairment reviews at a reporting unit level and use a discounted cash flow model based on management s judgment and assumptions to determine the estimated fair value of each reporting unit. Our three operating segments, Connectivity, Network Solutions and Professional Services are considered the reporting units. An impairment loss generally would be recognized when the carrying amount of the reporting unit s net assets exceeds the estimated fair value of the reporting unit.

We record impairment losses on long-lived assets used in operations and finite lived intangible assets when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Any impairment loss is measured by comparing the fair value of the asset to its carrying amount. There were no material impairments of goodwill, intangible assets, or long-lived assets during fiscal year 2010.

During the first quarter of fiscal 2009, due to the global economic downturn and related adverse business conditions that resulted in reduced estimates to our near-term cash flow and a sustained decline in our market capitalization, we performed a goodwill impairment analysis for our two reporting units that contained goodwill, Connectivity and Network Solutions. The analysis, which utilized forecasts and estimates based on assumptions that were consistent with the forecasts and estimates we were using to manage our business at that time, resulted in the recognition of impairment charges for both reporting units. Accordingly, we recorded impairment charges of $366.6 million to reduce the carrying value of goodwill.

During the first quarter of fiscal 2009, we performed an impairment analysis of intangible assets held in our Connectivity and Network Solutions reporting units. The analysis, which utilized forecasts and estimates based on assumptions that were consistent with the forecasts and estimates we were using to manage our business at that time, resulted in the recognition of impairment charges for Network Solutions. Accordingly, we recorded impairment charges of $41.3 million to reduce the carrying value of these long-lived intangible assets. Further deterioration of the estimates used in our impairment analysis could result in additional impairments of intangible assets in a future period.

During fiscal 2008, we recorded charges of $4.1 million to impair certain intellectual property and fixed assets associated with our legacy outdoor wireless product lines that were shut down in that timeframe.

Research and Development Costs: Our policy is to expense all research and development costs in the period incurred.

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Revenue Recognition: We recognize revenue, net of discounts, when persuasive evidence of an arrangement exists, delivery has occurred or service has been rendered, the selling price is fixed or determinable and collectability is reasonably assured.

As part of the revenue recognition process, we determine whether collection is reasonably assured based on various factors, including an evaluation of whether there has been deterioration in the credit quality of our customers that could result in us being unable to collect the receivables. In situations where it is unclear whether we will be able to collect the receivable, revenue and related costs are deferred.

The majority of our revenue comes from product sales. Revenue from product sales is generally recognized upon shipment of the product to the customer in accordance with the terms of the sales agreement. Revenue from services consists of fees for systems requirements, design and analysis, customization and installation services, ongoing system management, enhancements and maintenance. The majority of our service revenue comes from our Professional Services business. For this business, we primarily apply the percentage-of-completion method to arrangements consisting of design, customization and installation. We measure progress towards completion by comparing actual costs incurred to total planned project costs. All other services are provided in customer arrangements with multiple deliverables.

Some of our customer arrangements include multiple deliverables, such as product sales that include services to be performed after delivery of the product. In such cases, we account for a deliverable (or a group of deliverables) separately if both of the following criteria have been met: (i) the delivered item has stand-alone value to the customer, and (ii) if we have given the customer a general right of return relative to the delivered item, the delivery or performance of the undelivered item or service is probable and substantially in our control. When the elements can be separated, product revenue is generally recognized upon shipment and service revenue upon completion. If the elements cannot be considered separate units of accounting we defer revenue, if material, until the entire arrangement (i.e., both products and services) is delivered. We elected to early adopt the provisions of ASU 2009-13 *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*. We early adopted this new guidance on a prospective basis requiring implementation from the beginning of fiscal 2009. Under this new guidance, we allocate consideration at the inception of the arrangement to all deliverables based on the relative selling price method. The adoption of this new guidance did not impact the units of accounting or have a material impact on our financial results. Because these types of arrangements make up a small portion of our business, this new guidance did not have a significant impact on the pattern or timing of revenue recognition.

Reserves for Sales Returns, Discounts, Allowances, Rebates and Distributor Price Protection Programs: We record estimated reductions to revenue for potential sales returns as well as customer programs and incentive offerings, such as discounts, allowances, rebates and distributor price protection programs. These estimates are based on contract terms, historical experience, inventory levels in the distributor channel and other factors. We believe we have sufficient historical experience to allow for reasonable and reliable estimation of these reductions to revenue.

Allowance for Uncollectible Accounts: We are required to estimate the collectibility of our trade and notes receivable. A considerable amount of judgment is required in assessing the realization of these receivables, including the current creditworthiness of each customer and related aging of past due balances. In order to assess the collectability of these receivables, we perform ongoing credit evaluations of our customers financial condition. Through these evaluations we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. The reserve requirements are based on the best facts available to us and are re-evaluated and adjusted as additional information is received.

Sales Taxes: We present taxes assessed by a governmental authority including sales, use, value added and excise taxes on a net basis and therefore the presentation of these taxes is excluded from our revenues and is shown as a liability on our balance sheet until remitted to the taxing authorities.

Shipping and Handling Fees: Shipping and handling fees that are collected from our customers in connection with our sales are recorded as revenue. The costs incurred with respect to shipping and handling are recorded as cost of revenues.

Derivatives: We recognize all derivatives on the consolidated balance sheets at fair value. Derivatives that are not designated as hedges are adjusted to fair value through income. For a derivative designated as a fair value hedge of a recognized asset or liability, the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. For a derivative designated as a cash flow hedge, or a derivative designated as a fair value hedge of a firm commitment not yet recorded on the balance sheet, the effective portion of the derivative s gain or loss is reported initially as

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

a component of accumulated other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss associated with all hedges is reported through income immediately. In the statements of operations and cash flows, hedge activities are classified in the same category as the items being hedged. To the extent that we are required to post collateral to secure our derivative transactions we do not offset those amounts within our balance sheet.

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 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.

The changes in the amount of warranty reserve for the fiscal years ended September 30, 2010 and 2009 and October 31, 2008 were:

	Balance at Beginning of Year	Acquisitions	Charged / (Credited) to Costs and Expenses	Deductions	Balance at End of Year
			(In millions)		
2010	$6.3	$	$ (1.3)	$ 0.9	$ 4.1
2009	8.9	(0.6)	(0.1)	1.9	6.3
2008	7.7	1.9	1.1	1.8	8.9

Deferred Financing Costs: Deferred financing costs are capitalized and amortized as interest expense on a basis that approximates the effective interest method over the terms of the related notes.

Income Taxes and Deferred Taxes: We utilize the liability method of accounting for income taxes. Deferred tax liabilities or assets are recognized for the expected future tax consequences of temporary differences between the book and tax basis of assets and liabilities. We regularly assess the likelihood that our deferred tax assets will be recovered from future income, and we record a valuation allowance to reduce our deferred tax assets to the amounts we believe to be realizable. We consider projected future income and ongoing tax planning strategies in assessing the amount of the valuation allowance. If we determine we will not realize all or part of our deferred tax assets, an adjustment to the deferred tax asset will be charged to earnings in the period such determination is made. We concluded during the third quarter of fiscal 2002 that a full valuation allowance against our net deferred tax assets was appropriate as a result of our cumulative losses to that point and the full utilization of our loss carryback potential. During fiscal 2006 to fiscal 2010, we determined our recent experience generating U.S. income, along with our projection of future U.S. income, constituted significant positive evidence for partial realization of our U.S. deferred tax assets. Although we have reported losses during fiscal 2008 and fiscal 2009, these losses were attributable primarily to impairment charges, including non-deductible goodwill which did not reduce U.S. taxable income. As of September 30, 2010 we have recognized a total of $51.6 million of our U.S. deferred tax assets expected to be realized. At one or more future dates, if sufficient positive evidence exists that it is more likely than not that additional benefits will be realized with respect to our deferred tax assets, we will release additional valuation allowance. Also, certain events, including our actual results or changes to our expectations regarding future U.S. income or other negative evidence, may result in the need to increase the valuation allowance. We had a valuation allowance of $790.3 million as of September 30, 2010.

Foreign Currency Translation: We convert assets and liabilities of foreign operations to their U.S. dollar equivalents at rates in effect at the balance sheet dates, and we record translation adjustments in shareowners investment. Income statements of foreign operations are translated from the operations functional currency to U.S.

dollar equivalents at the exchange rate on the transaction dates or an average rate. Foreign currency exchange transaction gains and losses are reported in other income (expense), net.

We are exposed to market risk from changes in foreign currency exchange rates. Our primary risk is the effect of foreign currency exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating sales and expenses. Our largest exposure is to the Mexican peso. As of September 30, 2010, we mitigated a certain portion of our exposure to Mexican peso operating expenses throughout fiscal 2010 through forward contracts and costless collars. The forward contracts enable us to purchase Mexican pesos at specified rates and the collars establish a cap and a floor on the price at which we purchase pesos.

We also are exposed to foreign currency exchange risk as a result of changes in intercompany balance sheet accounts and other balance sheet items. At September 30, 2010, these balance sheet exposures were mitigated through the use of foreign exchange forward contracts with maturities of approximately one month. The principal currency exposures being mitigated were the Australian dollar, Brazilian real, British pound, Chinese renminbi, Czech koruna, euro, Mexican peso, Singapore dollar, Indian Rupee, New Zealand dollar and South African rand.

Our foreign currency forward contracts and collars contain credit risk to the extent that our bank counterparties may be unable to meet the terms of the agreements. We minimize such risk by limiting our counterparties to major financial institutions of high credit quality.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used in determining such items as returns and allowances, depreciation and amortization lives and amounts recorded for contingencies and other reserves. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, these estimates ultimately may differ from actual results.

Comprehensive Income (Loss): Components of comprehensive income (loss) include net income, foreign currency translation adjustments, unrealized gains (losses) on available-for-sale securities, unrealized gains (losses) on derivative instruments and hedging activities, and pension obligation adjustments, net of tax. Comprehensive income is presented in the consolidated statements of shareowners investment.

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Share-Based Compensation: We use the Black-Scholes Model for purposes of determining estimated fair value of share-based payment awards on the date of grant. The Black-Scholes Model requires certain assumptions that involve judgment. Because our employee stock options and restricted stock units have characteristics significantly different from those of publicly traded options, and because changes in the input assumptions can materially affect the fair value estimate, the existing models may not provide a reliable single measure of the fair value of our share-based payment awards. Management will continue to assess the assumptions and methodologies used to calculate estimated fair value of share-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies and thereby materially impact our fair value determination. If factors change and we employ different assumptions, the compensation expense that we record may differ significantly from what we have recorded in the current period. We elected to adopt the alternative transition method provided for purposes of calculating the pool of excess tax benefits available to absorb tax deficiencies recognized.

Dividends: No cash dividends have been declared or paid during the past three years.

Off-Balance Sheet Arrangements: We do not have any significant off-balance sheet arrangements.

Recently Adopted Accounting Pronouncements

Business combinations and non-controlling interests

In December 2007, the FASB issued new accounting guidance related to business combinations and non-controlling interests in consolidated financial statements. In addition to other changes in practice, the guidance requires the acquiring entity in a business combination to recognize and measure all assets acquired and liabilities assumed at their respective acquisition date fair values. The guidance also requires non-controlling interests in a subsidiary to be reported as equity in the financial statements, separate from the parent s equity. We have adopted this guidance effective October 1, 2009. We have reclassified financial statement line items within our condensed consolidated balance sheets and statements of operations for the prior period to conform to the non-controlling interest guidance. Additionally, see the Consolidated Statements of Shareowners Investment and Note 13 for disclosures reflecting the impact of the new guidance on our reconciliations of equity and comprehensive income, respectively.

Fair Value Measurements

In January 2010, the FASB issued new accounting guidance regarding disclosures about fair value measurements. The guidance requires additional disclosures concerning transfers between the levels within the fair value hierarchy and information in the reconciliation of recurring Level 3 measurements about purchases, sales, issuances and settlements on a gross basis. The new guidance also clarifies the requirement to provide fair value measurement disclosures for each class of asset and liability and clarifies the requirement to disclose information about both the valuation techniques and inputs used to estimate Level 2 and Level 3 measurements. We adopted this guidance effective January 2, 2010. The adoption of this guidance resulted in additional disclosures and had no material impact on our consolidated financial statements.

In September 2006, the FASB issued new accounting guidance related to fair value measurements. In February 2008, the FASB issued guidance delaying the effective date of the accounting guidance for nonfinancial assets and nonfinancial liabilities until the beginning of fiscal 2010, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We adopted this guidance effective October 1, 2009. The adoption of the guidance had no material impact on our consolidated financial statements.

In August 2009, the FASB issued guidance regarding measuring liabilities at fair value. This guidance clarifies how the fair value of a liability should be determined. Among other things, the guidance clarifies how the price of a traded debt security (i.e., an asset value) should be considered in estimating the fair value of the issuer s liability. We adopted this guidance effective October 1, 2009. The adoption of this guidance had no material impact on our consolidated financial statements.

Accounting for Convertible Debt Instruments That May be Settled in Cash upon Conversion (Including Partial Cash Settlement)

In May 2008, the FASB issued accounting guidance that clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. The accounting guidance requires issuers to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer s nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. The guidance requires bifurcation of a component of the debt,

ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

classification of that component in equity and the accretion of the resulting discount on debt to be recognized as part of interest expense. The guidance requires retrospective application to the terms of the instruments as they existed for all periods presented. We adopted the guidance effective October 1, 2009. The adoption of the guidance did not impact our consolidated financial statements because our convertible debt cannot be settled in cash upon conversion.

Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity s Own Stock

In June 2008, the FASB issued accounting guidance regarding the determination of whether an instrument (or an embedded feature) is indexed to an entity s own stock. The guidance provides that the entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock. This includes evaluating the instrument s contingent exercise and settlement provisions. It also clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. We adopted the guidance effective October 1, 2009. The adoption of the guidance had no material impact on our consolidated financial statements.

Consolidation of Variable Interest Entities

In June 2009, FASB issued guidance that revises the consolidation of variable interest entities by requiring an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This guidance requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. We are required to adopt the guidance in the first quarter of 2011. The adoption of the guidance will not have a material impact on our consolidated financial statements.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

In July 2010, the FASB issued accounting guidance that expanded the disclosures regarding the allowance for credit losses and the credit quality of financing receivables. The guidance requires additional disclosures be made addressing the nature of the credit risk, how the risk is analyzed and any changes in accounting for the allowance for credit losses for any companies that have significant financing receivables, excluding short-term trade accounts receivables. We are required to adopt the guidance in the first quarter of 2011. The adoption of the guidance will not have a material impact on our consolidated financial statements.

Accounting for Technical Amendments to Various SEC Rules and Schedules

In August 2010, the FASB issued accounting guidance requiring an analysis of changes in non-controlling interests for the reporting period in a separate statement or footnote. This analysis should consist of reconciliation from the beginning balance to the ending balance for each period in which an income statement is presented. Significant reconciling items, like changes in the ownership interest of a subsidiary, should be stated separately in the analysis. We are required to adopt the guidance in the first quarter of 2011. The adoption of the guidance will not have a material impact on our consolidated financial statements.

We have determined that all other recently issued accounting standards will not have a material impact on our Consolidated Financial Statements, or do not apply to our operations.

Note 2: Other Financial Statement Data

Other Income (Expense), Net:

	2010	2009 (In millions)	2008
Interest income on investments	$ 4.5	$ 8.4	$ 31.0
Interest expense on borrowings	(27.4)	(25.8)	(28.2)
Interest income (expense), net	(22.9)	(17.4)	2.8
Foreign exchange (loss)	(4.4)	(1.0)	(1.8)
Gain realized on sale of available-for-sale securities	7.5		

Loss recognized on impairment of available-for-sale securities	(3.1)	(18.4)	(100.6)
Settlement of auction rate securities claims, net of $2.1 million in fees	54.4		
Gain on sale of product line	15.9		
Write-down of cost method investment	(5.3)	(3.0)	
Gain (loss) on sale of fixed assets	(1.4)	0.9	(0.5)
Other	(1.0)	(0.4)	(0.5)
Subtotal	62.6	(21.9)	(103.4)
Total other income (expense), net	$ 39.7	$ (39.3)	$ (100.6)

ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The change in net interest income (loss) from fiscal 2008 through fiscal 2010 was predominately due to significantly lower interest income rates on cash investments.

During June 2010, we entered into a settlement agreement with Merrill Lynch and its agent/broker in connection with certain auction rate securities they sold to us. The settlement resulted in our receiving $56.5 million in cash and provided for us to retain ownership in the auction rate securities. As of September 30, 2010, we have sold substantially all of our auction rate securities, realizing proceeds of $31.4 million and gains of $7.5 million during fiscal 2010 within Other Income (Expense), Net. During fiscal 2010, 2009 and 2008, we recorded other-than-temporary impairment charges of $3.1 million, $18.4 million and $100.6 million, respectively, to reduce the carrying value of certain auction rate securities we held.

On October 30, 2009, we completed the sale of our copper-based RF signal management business to ATX Networks, Corp. (ATX). ATX paid us $17.0 million in cash for the business. The assets sold consisted primarily of inventory, fixed assets and intellectual property. ATX assumed future product warranty liabilities for products sold prior to October 30, 2009, subject to our reimbursement of expenses and costs related to certain of those future product warranty claims, if any. As part of the sale transaction, we agreed to manufacture the RF signal management products on behalf of ATX for up to 12 months and assist in other transitional activities. We recorded a gain of $15.9 million in connection with the transaction within Other Income (Expense), Net.

During the second quarter of fiscal 2010, we recorded a $5.3 million other-than-temporary impairment related to our investment in ip.access Ltd (refer to Note 6).

During the second quarter of fiscal 2009, we recorded a $3.0 million other-than-temporary impairment related to our investment in E-Band Communications Corporation.

Supplemental Cash Flow Information:

	2010	2009	2008
		(In millions)	
Income taxes paid, net of refunds received	$ 6.7	$ 4.5	$ 3.5
Interest paid	$27.3	$29.1	$26.3

Supplemental Schedule of Investing Activities:

	2010	2009	2008
		(In millions)	
Acquisitions:			
Fair value of assets acquired	$ (4.4)	$ (1.8)	$ (279.0)
Less: Liabilities assumed		(1.7)	71.9
LGC options exchanged for ADC options			3.0
Cash acquired			5.8
Acquisitions, net of cash acquired	$ (4.4)	$ (3.5)	$ (198.3)
Divestitures:			
Proceeds from divestitures	$ 11.7	$ 3.3	$
Cash disposed			
Divestitures, net of cash disposed	$ 11.7	$ 3.3	$

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

Consolidated Balance Sheet Information:

	2010	2009
	(In millions)	
Inventories:		
Manufactured products	$ 83.9	$ 110.6
Purchased materials	49.5	49.9
Work-in-process	5.1	5.9
Less: Inventory reserve	(32.1)	(41.8)
Total inventories, net	$ 106.4	$ 124.6
Property and Equipment:		
Land and buildings	$ 138.4	$ 135.5
Machinery and equipment	378.3	390.3
Furniture and fixtures	33.3	38.0
Less accumulated depreciation	(409.8)	(410.1)
Total	140.2	153.7
Construction-in-process	6.3	9.1
Total property and equipment, net	$ 146.5	$ 162.8
Other Assets:		
Notes receivable, net	$ 0.8	$ 0.7
Deferred financing costs	7.1	8.9
Deferred tax asset	52.9	54.4
Investment in cost method investees	9.0	13.3
Deposits	8.6	6.1
Other	2.5	2.7
Total other assets	$ 80.9	$ 86.1
Other Accrued Liabilities:		
Deferred revenue	$ 7.5	$ 3.3
Warranty reserve	4.1	6.3
Accrued taxes (non-income)	10.4	9.5
Non-trade payables	52.9	44.7
Total other accrued liabilities	$ 74.9	$ 63.8

Depreciation expense was $35.2 million, $36.7 million and $40.7 million for fiscal 2010, 2009 and 2008, respectively.

Note 3: Acquisitions

LGC Wireless

On December 3, 2007, we completed the acquisition of LGC Wireless, Inc. (LGC Wireless), 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 Wireless 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 Wireless 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 Wireless, subsequent to December 3, 2007, are included in our consolidated statements of operations.

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 was made to accelerate our growth in the Chinese connectivity market, as well as provide us with additional products designed to meet the needs of customers in 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. 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. These amounts were recorded as increases to the goodwill associated with these transactions.

During the first quarter of 2010, we recorded an accrual of $5.5 million due to the attainment of certain earnout thresholds during 2009 by the Century Man business. During the second quarter of fiscal 2010, we recorded $0.3 million of goodwill related to the foreign exchange rate guarantee on the release of the escrow related to the acquisition. During the fourth quarter of fiscal 2010, we paid $3.8 million to the former shareholders of these amounts. The remaining amounts are expected to be paid later in fiscal 2011.

Of the purchase price, $7.5 million was placed in escrow following the close of the transaction. As of September 30, 2009, $3.9 million of the total escrow amount had been released to the former shareholders of Century Man. In addition, $0.4 million was paid to

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ADC Telecommunications, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

the former shareholders for the effect of changes in foreign exchange rates on the amount of escrow released in accordance with the escrow agreement. These payments were accounted for as additional contingent consideration 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 each acquisition described above, in accordance with the purchase method of accounting, including adjustments to the purchase prices made through September 30, 2010:

	LGC December 3, 2007	Century Man January 10, 2008
	(In millions)	
Current assets	$ 44.9	$ 33.1
Intangible assets	58.9	13.0
Goodwill	85.4	36.7
Other long-term assets	3.3	0.5
Total assets acquired	192.5	83.3
Current liabilities	42.9	26.0
Long-term liabilities	2.5	
Total liabilities assumed	45.4	26.0
Net assets acquired	147.1	57.3
LGC options exchanged for ADC options	3.0	
Less cash acquired	0.8	5.0
Net cash paid	$ 143.3	$ 52.3

Unaudited pro forma consolidated results of continuing operations, as though the acquisitions of LGC Wireless and Century Man had taken place at the beginning of fiscal 2008 are:

	2008 (In millions, except per share data)
Net sales	$ 1,480.9
Income (loss) from continuing operations(1)	$ (41.6)
Net income (loss)	$ (40.0)
Income (loss) per share from continuing operations basic	$ (0.36)
Income (loss) per share from continuing operations diluted	$ (0.36)

Net income (loss) per share basic	$	(0.34)
Net income (loss) per share diluted	$	(0.34)

(1) Includes restructuring and impairment charges of $15.2 million for the ADC stand-alone business.

The unaudited pro forma results of operations are for comparative purposes only and do not necessarily reflect the results that would have occurred had the acquisitions occurred at the beginning of the period presented or the results that may occur in the future.

The allocation of the purchase prices for LGC Wireless 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 4: Discontinued Operations

The financial results of the businesses described below are reported separately as discontinued operations for all periods presented.

GSM Business

On December 31, 2009, we divested substantially all of the assets of our GSM business to Altobridge Limited (Altobridge). In connection with the transaction, we also provided Altobridge $4.3 million in cash, a portion of which was held back for certain

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Notes to Consolidated Financial Statements (continued)

transition services. Altobridge also assumed various liabilities related to the business. We recorded a loss on the sale in the amount of $13.2 million. During fiscal 2010, in connection with the sale of our GSM Business we wrote off the value of inventory and fixed assets having carrying amounts of $6.3 million and $0.6 million, respectively. The amounts written off were recognized as part of the loss on sale of this business.

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. On July 31, 2009, we sold all of the capital stock of our subsidiary that operated our APS Germany business to telent Investments Limited for a cash purchase price of $3.3 million, resulting in a total loss on sale of $5.2 million of which $0.7 million related to the write off of the foreign currency translation adjustment.

APS France

On January 12, 2007, we completed the sale of certain assets of APS France to a subsidiary of Groupe Circet, a French company, for a cash price of $0.1 million. We recorded a total loss on sale of $27.3 million which includes $7.0 million relating to the write off of the foreign currency translation adjustment. During the first quarter of fiscal 2010, we recognized income of $0.5 million within discontinued operations resulting from the reversal of a reserve for an uncertain tax position related to APS France for which the statute of limitations had expired.

The financial results of the GSM Business, APS Germany and APS France are reported separately as discontinued operations for all periods presented in accordance with the accounting guidance related to discontinued operations. The following are the consolidated financial results of the GSM Business, APS Germany and APS France included in discontinued operations:

	2010	2009	2008
		(In millions)	
Net sales	$ 2.3	$ 25.4	$ 51.1
Income (loss) from discontinued operations, net	$ (2.0)	$ (17.5)	$ (2.5)
Gain (loss) on sale or write-down of discontinued operations, net	(13.2)	(5.2)	
Total loss from discontinued operations	$ (15.2)	$ (22.7)	$ (2.5)

Note 5: 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:

	2010	2009	2008
	(In millions, except per share data)		
Numerator:			
Net income (loss) from continuing operations	$ 78.5	$ (452.9)	$ (40.1)
Net income (loss) available to non-controlling interest	1.3	(1.3)	(0.7)
Net income (loss) from continuing operations available to common shareowners	$ 77.2	$ (451.6)	$ (39.4)
Denominator:			
Weighted average common shares outstanding basic	96.9	97.4	117.1
Employee options and other	1.6		

Weighted average common shares outstanding diluted	98.5	97.4	117.1
Basic income (loss) per share from continuing operations available to ADC common shareowners	$ 0.80	$ (4.64)	$ (0.34)
Diluted income (loss) per share from continuing operations available to ADC common shareowners	$ 0.78	$ (4.64)	$ (0.34)

Excluded from the dilutive securities described above are employee stock options to acquire 6.3 million, 7.6 million and 6.8 million shares as of fiscal 2010, 2009 and 2008, respectively. These exclusions are made if the exercise prices of these options are greater than the average market price of the common stock for the period, or if we have net losses, both of which have an anti-dilutive effect.

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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 and in Note 8). Under this method, we add back the interest expense and the amortization of financing expenses 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. During fiscal 2010, 2009 and 2008, our convertible debt was:

	Convertible Shares			Conversion
	September 30, 2010	September 30, 2009	October 31, 2008	Price
		(in millions)		
Convertible Subordinated Notes				
$200 million, 1.0% fixed rate, paid June 15, 2008			7.1	$28.091
$200 million, 6-month LIBOR plus 0.375%, due June 5, 2013	7.1	7.1	7.1	28.091
$225 million, 3.5% fixed rate, due July 15, 2015	8.3	8.3	8.3	27.000
$225 million, 3.5% fixed rate, due July 15, 2017	7.9	7.9	7.9	28.550
Total	23.3	23.3	30.4	

Prior to June 15, 2008, the 2008 notes and 2013 notes were 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 now evaluated alone 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 fiscal 2010, 2009 and 2008 because of their anti-dilutive effect.

Note 6: Investments

As of September 30, 2010 and 2009, our available-for-sale securities were:

	Cost Basis	Unrealized Gain (3)	Realized Loss (3) (In millions)	Other-Than-Temporary Impairment Loss (3)	Fair Value
Fiscal 2010					
Corporate commercial paper, CDs and bonds	$ 150.0	$ 0.2	$	$	$ 150.2
Government bonds	78.2	0.2			78.4
Auction rate securities	0.7				(1)

Total available-for-sale securities	$ 228.9	$ 0.4	$	$	$ 228.6
Fiscal 2009					
Corporate bonds	$ 50.7	$ 0.4	$	$	$ 51.1
Equity securities	0.1	0.1	0.1		
Auction rate securities	169.8	2.3		(18.4)	24.3(2)
Total available-for-sale securities	$ 220.6	$ 2.8	$ 0.1	$ (18.4)	$ 75.4

(1) Net of cumulative other-than-temporary losses of $0.7 million that were recorded in prior years.

(2) Net of cumulative unrealized gains of $2.9 million and other-than-temporary losses of $148.4 million ($18.4 million of which were recorded in the year-ended September 30, 2009).

(3) For the twelve and eleven months ended September 30, 2010 and September 30, 2009, respectively, net of material unrealized losses which were recorded in the income statement.

Securities classified as available-for-sale are carried at estimated fair value with unrealized gains and losses, net of tax if applicable, recorded as a component of accumulated other comprehensive income (loss). Upon the sale of a security classified as available-for-sale the amount reclassified out of accumulated other comprehensive income into earnings is based on the specific identification method.

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Notes to Consolidated Financial Statements (continued)

As of September 30, 2010, we have sold substantially all of our auction rates securities. During the twelve months ended September 30, 2010, we sold auction rate securities having a par value of $169.1 million for proceeds of $31.4 million. As a result of these sales, we recorded net gains of $7.5 million within Other Income (Expense), Net (refer to Note 2).

As of September 30, 2009, we held auction rate securities with a fair value of $24.3 million and an original par value of $169.8 million. At September 30, 2009, our auction rate securities were classified as long-term. Due to the failed auction status and lack of liquidity in the market for such securities at September 30, 2009, the valuation methodology included 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 the following: (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.

During fiscal 2010, 2009 and 2008, we recorded other-than-temporary impairment charges of $3.1 million, $18.4 million and $100.6 million, respectively, to reduce the fair value of our holdings in auction rate securities.

On June 8, 2010, we entered into a settlement agreement with Merrill Lynch and its agent/broker in connection with certain auction rate securities they sold to us. The settlement agreement resulted in our receiving $56.5 million in cash and provided for us to retain ownership in the auction rate securities (refer to Note 2). During 2009, we made a claim in the Lehman Brothers bankruptcy proceeding with respect to auction rate securities they sold to us, but at this time we are uncertain whether we will recover any of our losses associated with these securities. Beginning in the first quarter of fiscal 2010, we began selling auction rate securities that we held and have since sold substantially all of the remaining auction rate securities, including those that we acquired through Lehman Brothers.

During fiscal 2010, we had net purchases of $147.7 million of short and long-term corporate, government and U.S. agency obligations. These securities are categorized as available-for-sale. The contractual maturities of the securities classified as short-term are less than one month to twelve months. The contractual maturities of the securities classified as long-term are thirteen to eighteen months.

During fiscal 2009, we purchased $51.4 million, including accrued interest, of JP Morgan unsecured notes backed by a guarantee from the Federal Deposit Insurance Corporation (FDIC). The contractual maturity of these notes is December 1, 2010.

The following tables summaries the activity related to our sales of available-for-sale securities:

	2010	2009	2008
		(In millions)	
Proceeds from sales of securities	$68.5	$0.2	$39.7
Gross realized gains recognized in earnings	11.1		
Gross realized losses recognized in earnings	(3.6)		
Gains/(losses) reclassified from other comprehensive income to earnings	2.9		
Net unrealized gain/(loss) included in other comprehensive income	0.4	3.3	0.5

During 2010 and 2009 we invested an additional $1.0 million and $1.2 million, respectively, in ip.access, Ltd., a U.K.-based company. Our investment in the company was $14.3 million and $13.3 million at September 30, 2010 and 2009, respectively. These investments are accounted for under the cost method and are included in the other assets line item of the balance sheet.

We evaluate the recovery of our cost method investments on a quarterly basis due to the existence of certain impairment indicators. Based on the results of an analysis of the expected cash flows of ip.access Ltd., we recorded an other-than-temporary impairment on our investment during 2010 in the amount of $5.3 million (refer to Note 2). We believe that our analysis of expected cash flows qualifies as a Level 3 fair value measurement. Our valuation is based on the income approach and on our share of the expected cash flows of the business. The carrying amount of our investment in ip.access Ltd. was $9.0 million and $13.3 million at September 30, 2010 and 2009, respectively.

As of October 31, 2008, we had an investment in E-Band Communications Corporation of $3.0 million. No additional investments were made in fiscal years 2010 or 2009.

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Notes to Consolidated Financial Statements (continued)

After evaluating the recoverability of our cost method investments during 2009, we recorded a $3.0 million other-than-temporary impairment of our entire investment in E-Band Communications Corporation. The carrying amount of our investment in E-Band Communications was zero at September 30, 2010 and 2009, subsequent to the impairment.

Note 7: Goodwill and Intangible Assets

Goodwill is tested for impairment annually, or more frequently if potential interim indicators exist that could result in impairment. We perform impairment reviews at a reporting unit level and use a discounted cash flow model based on management s judgment and assumptions to determine the estimated fair value of each reporting unit. Our three operating segments, Connectivity, Network Solutions and Professional Services are considered the reporting units. An impairment loss generally would be recognized when the carrying amount of the reporting unit s net assets exceeds the estimated fair value of the reporting unit.

We record impairment losses on long-lived assets used in operations and finite lived intangible assets when events and circumstances indicate the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. Any impairment loss is measured by comparing the fair value of the asset to its carrying amount. There were no material impairments of goodwill, intangible assets, or long-lived assets during fiscal year 2010.

During the first quarter of fiscal 2009, due to the global economic downturn and related adverse business conditions that resulted in reduced estimates to our near-term cash flow and a sustained decline in our market capitalization, we performed a goodwill impairment analysis for our two reporting units that contained goodwill, Connectivity and Network Solutions. The analysis, which utilized forecasts and estimates based on assumptions that were consistent with the forecasts and estimates we were using to manage our business at that time, resulted in the recognition of impairment charges for both reporting units. Accordingly, we recorded impairment charges of $366.6 million to reduce the carrying value of goodwill.

During the first quarter of fiscal 2009, we performed an impairment analysis of intangible assets held in our Connectivity and Network Solutions reporting units. The analysis, which utilized forecasts and estimates based on assumptions that were consistent with the forecasts and estimates we were using to manage our business at that time, resulted in the recognition of impairment charges for Network Solutions. Accordingly, we recorded impairment charges of $41.3 million to reduce the carrying value of these long-lived intangible assets. Further deterioration of the estimates used in our impairment analysis could result in additional impairments of intangible assets in a future period.

During the first quarter of fiscal 2010, we recorded an accrual of $5.5 million due to the attainment of certain earn-out thresholds during 2009 by the Century Man business. During the second quarter of fiscal 2010, we recorded $0.3 million of goodwill related to a foreign exchange rate guarantee on the release of the escrow related to the acquisition. This accrual increased goodwill associated with the acquisition.

The following are changes in the carrying amount of goodwill for the fiscal years ended September 30, 2010 and 2009:

	Connectivity	Network Solutions (In millions)	Total
Balance as of October 31, 2008	$ 274.0	$ 85.3	$ 359.3
Purchase accounting adjustments	6.7	0.1	6.8
Cumulative translation adjustment	0.3		0.3
Impairment	(281.2)	(85.4)	(366.6)
Other	0.4		0.4

Balance as of September 30, 2009		0.2				0.2
Century Man Earn-out		5.8				5.8
Cumulative translation adjustments		0.1				0.1
Balance as of September 30, 2010	$	6.1	$		$	6.1

In connection with the acquisition of LGC Wireless, 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 above described impairments.

The following table represents intangible assets by category and accumulated amortization as of September 30, 2010 and 2009:

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2010	Gross Carrying Amounts	Accumulated Amortization	Net	Estimated Life Range (In Years)
	(In millions)			
Technology	$ 57.9	$ 54.5	$ 3.4	5-7
Trade name/trademarks	26.2	9.3	16.9	2-20
Distributor network	10.0	6.4	3.6	10
Customer list	50.5	36.2	14.3	2-7
Patents	61.7	31.5	30.2	3-7
Non-compete agreements	13.0	12.8	0.2	2-5
Other	27.1	19.9	7.2	1-14
Total	$ 246.4	$ 170.6	$ 75.8	7(1)

2009	Gross Carrying Amounts	Accumulated Amortization	Net	Estimated Life Range (In Years)
	(In millions)			
Technology	$ 57.9	$ 47.8	$ 10.1	5-7
Trade name/trademarks	26.2	8.0	18.2	2-20
Distributor network	10.1	5.4	4.7	10
Customer list	50.5	29.3	21.2	2-7
Patents	53.2	24.4	28.8	3-7
Non-compete agreements	13.0	10.6	2.4	2-5
Other	26.8	18.9	7.9	1-14
Total	$ 237.7	$ 144.4	$ 93.3	8(1)

(1) Weighted average life.

In connection with our plan to discontinue certain outdoor wireless coverage products, we recorded an intangible asset write-off of $3.4 million in the fourth quarter of fiscal 2008 related to patents and non-compete agreements. Amortization expense was $26.3 million, $29.3 million and $40.1 million for fiscal 2010, 2009 and 2008, respectively. Included in amortization expense is $19.1 million, $23.5 million and $34.4 million of acquired intangible amortization for fiscal 2010, 2009 and 2008, respectively. The estimated amortization expense for identified intangible assets is as follows for the periods indicated:

	(In millions)
2011	18.8
2012	16.5
2013	10.8
2014	8.0
2015	5.5

Thereafter		16.2
Total	$	75.8

Note 8: Notes Payable

Long-term debt as of September 30, 2010 and September 30, 2009 was:

	September 30, 2010		September 30, 2009
	(In millions)		
Convertible subordinated notes, six-month LIBOR plus 0.375%, due June 15, 2013	$ 200.0	$	200.0
Convertible subordinated notes, 3.5% fixed rate, due July 15, 2015	225.0		225.0
Convertible subordinated notes, 3.5% fixed rate, due July 15, 2017	225.0		225.0
Total convertible subordinated notes	650.0		650.0
Other, variable rate, various due dates	1.1		1.6
Total debt	651.1		651.6
Less: Current portion of long-term debt	0.3		0.6
Long-term debt	$ 650.8	$	651.0

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We estimate the fair market value of our long-term notes payable to be approximately $645.5 million and $475.0 million at September 30, 2010 and September 30, 2009, respectively, based on recent market quotes for the securities. Upon the completion of the merger, note holders under each indenture would have the option to require us to redeem the notes at par value, plus accrued and unpaid interest.

Credit Facility

On December 18, 2009, we entered into a new asset-backed revolving credit facility with Wachovia Bank National Association (the Credit Facility) in the amount of up to $75.0 million. Drawings under the Credit Facility may be used for general operating, working capital and other corporate purposes. Additionally, availability under the Credit Facility may be used to issue letters of credit or to secure hedging obligations. Along with the parent company, two U.S-based subsidiaries are borrowers and three other U.S.-based subsidiaries provide guarantees of obligations under the Credit Facility.

The Credit Facility has a scheduled expiration of March 15, 2013 and is secured by various U.S. assets including accounts receivable, inventory, and machinery and equipment. We also granted a security interest in the capital stock of the two subsidiary borrowers and one of the guarantors. Borrowings under the Credit Facility will rank on parity in right of payment with all other senior indebtedness that may be outstanding from time to time. Availability of borrowings is based on measurements of accounts receivable and inventory less standard reserves. The Credit Facility size may be increased up to $100.0 million, subject to certain terms and conditions.

Under the Credit Facility, we must comply with various financial and non-financial covenants. Among other things, the financial covenants require us to maintain a minimum amount of liquidity, defined as cash and certain investments located in the U.S. plus availability under the Credit Facility, equal to $150.0 million. Additionally, when borrowing availability under the Credit Facility drops below a specified level, we must maintain a fixed charge coverage ratio of 1.0. This ratio is defined as consolidated EBITDA divided by the sum of certain fixed payments. Non-financial covenants include limitations on, among other things, asset dispositions and acquisitions, liens, and debt issuances. Our ability to repurchase debt, equity and pay cash dividends is contingent upon ADC maintaining certain levels of liquidity. As of September 30, 2010 we were in compliance with all covenants under the Credit Facility.

Borrowings under the Credit Facility bear interest at the one, two or three month LIBOR or a base rate plus a specified margin. We pay an annual commitment fee of 1% on any unused portion of the facility. The amount available under the Credit Facility will fluctuate based on seasonality of our sales and the value of any hedging obligations and letters of credit secured under the Credit Facility. As of September 30, 2010, although there were no borrowings outstanding, an $18.8 million collateral requirement under our interest rate swap agreement (refer to Note 18) as well as $2.0 million of letters of credit were secured under the Credit Facility, releasing us from a cash collateral requirement of $20.8 million. The amount secured under the Credit Facility could fluctuate significantly as the interest rate swap termination value fluctuates with the forward LIBOR. As of September 30, 2010, we have deferred $1.7 million of financing fees, $1.6 million of which was incurred during the twelve months ended September 30, 2010, related to this facility that will be amortized as interest expense over the term of the Credit Facility. No borrowings were outstanding under the Credit Facility as of November 22, 2010.

On December 26, 2007, we issued $450.0 million of 3.5% fixed rate convertible unsecured subordinated notes. The notes were issued in two tranches of $225.0 million each. The first tranche matures on July 15, 2015 (2015 notes), and the second tranche matures on July 15, 2017 (2017 notes). The notes are convertible into shares of common stock of ADC, based on, in the case of the 2015 notes, an initial base conversion rate of 37.0336 shares of common stock per $1,000 principal amount and, in the case of the 2017 notes, an initial base conversion rate of 35.0318 shares of common stock per $1,000 principal amount, in each case subject to adjustment in certain circumstances. This represents an initial base conversion price of approximately $27.00 per share in the case of the 2015 notes and approximately $28.55 per share in the case of the 2017 notes, representing a 75% and 85% conversion premium, respectively, based on the closing price of $15.43 per share of ADC s common stock on December 19, 2007. In addition, if at the time of conversion the applicable stock price of ADC s common stock exceeds the base conversion price, the conversion rate will be increased. The amount of the increase will be measured by a formula. The formula first calculates a fraction. The numerator of the fraction is the applicable stock price of ADC s common stock at the time of conversion less the initial base conversion price per share (i.e., approximately $27.00 in the case of the 2015 notes and approximately $28.55 in the case of the 2017 notes). The denominator of the fraction is the applicable stock price of ADC s common stock at the time of conversion. This fraction is then multiplied by an incremental share factor, which is 27.7752 shares of common stock per $1,000 principal amount of 2015 notes and 29.7770 shares of common stock per $1,000 principal amount of 2017 notes. The notes of each series are subordinated to existing and future senior indebtedness of ADC.

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On June 4, 2003, we issued $400.0 million of convertible unsecured subordinated notes in two separate transactions. In the first transaction, we issued $200.0 million of 1.0% fixed rate convertible unsecured subordinated notes that matured on June 15, 2008. We paid the $200.0 million fixed rate notes in June 2008. In the second transaction, we issued $200.0 million of convertible unsecured subordinated notes that have a variable interest rate and mature on June 15, 2013. The interest rate for the variable rate notes is equal to 6-month LIBOR plus 0.375%. The holders of the variable rate notes may convert all or some of their notes into shares of our common stock at any time prior to maturity at a conversion price of $28.091 per share. We may redeem any or all of the variable rate notes at any time on or after June 23, 2008. A fixed interest rate swap was entered into for the variable rate notes.

From time to time, we may use interest rate swaps to manage interest costs and the risk associated with changing interest rates. We do not enter into interest rate swaps for speculative purposes. On April 29, 2008, we entered into an interest rate swap effective June 15, 2008, for a notional amount of $200.0 million. The interest rate swap hedges the exposure to changes in interest rates of our $200.0 million of convertible unsecured subordinated notes that have a variable interest rate of six-month LIBOR plus 0.375% and a maturity date of June 15, 2013. We have designated the interest rate swap as a cash flow hedge for accounting purposes. The swap is structured so that we receive six-month LIBOR and pay a fixed rate of 4.0% (before the credit spread of 0.375%). The variable portion we receive resets semiannually and both sides of the swap are settled net semiannually based on the $200.0 million notional amount. The swap matures concurrently with the end of the debt obligation.

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 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.

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. As of September 30, 2009, we pledged $13.2 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 six-month forward LIBOR.

Concurrent with the issuance of our variable rate notes (due June 2013), we purchased ten-year call options on our common stock to reduce the potential dilution from conversion of the notes. Under the terms of these call options, which become exercisable upon conversion of the notes, we have the right to purchase from the counterparty at a purchase price of $28.091 per share the aggregate number of shares that we are obligated to issue upon conversion of the variable rate notes, which is a maximum of 7.1 million shares. We also have the option to settle the call options with the counterparty through a net share settlement or cash settlement, either of which would be based on the extent to which the then-current market price of our common stock exceeds $28.091 per share. The cost of the call options was partially offset by the sale of warrants to acquire shares of our common stock with a term of ten years to the same counterparty with whom we entered into the call options. The warrants are exercisable for an aggregate of 7.1 million shares at an exercise price of $36.96 per share. The warrants become exercisable upon conversion of the notes, and may be settled, at our option, either through a net share settlement or a net cash settlement, either of which would be based on the extent to which the then-current market price of our common stock exceeds $36.96 per share. The net effect of the call options and the warrants is either to reduce the potential dilution from the conversion of the notes (if we elect net share settlement) or to increase the net cash proceeds of the offering (if we elect net cash settlement) if the notes are converted at a time when the current market price of our common stock is greater than $28.091 per share.

Note 9: Common Stock Repurchase Plan and Shareowner Rights Plan

On August 12, 2008, our Board of Directors approved a share repurchase program for up to $150.0 million. 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.

We have a shareowner rights plan intended to preserve the long-term value of ADC to our shareowners by discouraging a hostile takeover. In July 2010, contingent on the completion of our acquisition by Tyco Electronics, ADC s Board of Directors approved the termination of the shareowner rights plan.

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Note 10: Income Taxes

The components of the income (loss) from continuing operations before income taxes are:

	2010	2009	2008
		(In millions)	
United States	$ 97.5	$ (337.7)	$ (22.3)
Foreign	(11.9)	(118.3)	(11.6)
Total income (loss) before income taxes	$ 85.6	$ (456.0)	$ (33.9)

The components of the provision (benefit) for income taxes from continuing operations are:

	2010	2009	2008
		(In millions)	
Current taxes:			
Federal	$ (0.9)	$ (1.2)	$ (0.4)
Foreign	8.4	3.8	2.4
State	0.3	0.2	0.6
	7.8	2.8	2.6
Deferred taxes:			
Federal		(4.3)	4.4
Foreign	(0.7)	(1.6)	(0.8)
State			
	(0.7)	(5.9)	3.6
Total (benefit) provision	$ 7.1	$ (3.1)	$ 6.2

We recorded an income tax provision (benefit) for discontinued operations, primarily related to the resolution of income tax contingencies of ($0.4) million during fiscal 2008. There were no amounts recorded during fiscal years 2010 and 2009.

As follows, the effective income tax rate differs from the federal statutory rate from continuing operations:

	2010	2009	2008
Federal statutory rate	35%	35%	35%
Change in deferred tax asset valuation allowance	(24)	(10)	(66)
Non-deductible impairment charges		(22)	
State income taxes, net			
Foreign income taxes	(8)	(1)	19
Other, net	5	(1)	(6)
Effective income tax rate	8%	1%	(18)%

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.

The following was the composition of deferred tax assets (liabilities) as of September 30, 2010 and September 30, 2009:

	2010	2009
	(In millions)	
Current deferred tax assets:		
Asset valuation reserves	$ 8.6	$ 11.2
Accrued liabilities	30.6	28.7
Subtotal	39.2	39.9

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	2010	2009
	(In millions)	
Non-current deferred tax assets:		
Intangible assets	141.6	176.3
Depreciation	17.3	16.6
Net operating loss and tax credit carryover	591.0	561.5
Capital loss carryover	31.1	1.4
Research and development	18.7	21.4
Investments and other	30.9	78.6
Subtotal	830.6	855.8
Total deferred tax assets	869.8	895.7
Current deferred tax liabilities:		
Accrued liabilities	(1.3)	(1.8)
Subtotal	(1.3)	(1.8)
Non-current deferred tax liabilities:		
Intangible assets	(11.6)	(19.7)
Investments and other	(10.8)	(9.4)
Subtotal	(22.4)	(29.1)
Total deferred tax liabilities	(23.7)	(30.9)
Net deferred tax assets	846.1	