

COMMSCOPE INC  
Form 10-Q  
November 02, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2006  
OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-12929

**CommScope, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**36-4135495**  
(I.R.S. Employer  
Identification No.)

1100 CommScope Place, SE

P.O. Box 339

Hickory, North Carolina

Edgar Filing: COMMSCOPE INC - Form 10-Q

(Address of principal executive offices)

**28602**

(Zip Code)

**(828) 324-2200**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Exchange Act Rule 12b-2). Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of October 26, 2006 there were 59,608,269 shares of Common Stock outstanding.

---

**CommScope, Inc.**  
**Form 10-Q**  
**September 30, 2006**  
**Table of Contents**

Part I Financial Information (Unaudited):

Item 1. Condensed Consolidated Financial Statements:

Condensed Consolidated Statements of Operations

Condensed Consolidated Balance Sheets

Condensed Consolidated Statements of Cash Flows

Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income

Notes to Condensed Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Item 4. Controls and Procedures

Part II Other Information:

Item 1A. Risk Factors

Item 6. Exhibits

Signatures

## CommScope, Inc.

**Condensed Consolidated Statements of Operations**  
 (Unaudited In thousands, except per share amounts)

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	2005	2005	2005	2005
Net sales	\$ 466,100	\$ 345,613	\$ 1,230,235	\$ 991,378
Operating costs and expenses:				
Cost of sales	326,287	251,077	897,135	736,071
Selling, general and administrative	62,799	51,260	175,229	159,158
Research and development	9,151	6,789	24,821	22,996
Restructuring costs	3,011	16,553	10,764	20,128
Total operating costs and expenses	401,248	325,679	1,107,949	938,353
Operating income	64,852	19,934	122,286	53,025
Other income (expense), net	207	179	872	(490)
Interest expense	(2,110)	(1,975)	(6,082)	(6,342)
Interest income	3,145	1,286	7,541	3,434
Income before income taxes and gain on OFS BrightWave note receivable	66,094	19,424	124,617	49,627
Income tax expense before income tax provision on gain on OFS BrightWave note receivable	(22,504)	(7,902)	(40,279)	(16,267)
Income before gain on OFS BrightWave note receivable	43,590	11,522	84,338	33,360
Gain on OFS BrightWave note receivable, net of tax of \$11,175			18,625	
Net income	\$ 43,590	\$ 11,522	\$ 102,963	\$ 33,360
Net income per share:				
Basic	\$ 0.74	\$ 0.21	\$ 1.77	\$ 0.61
Assuming dilution	\$ 0.61	\$ 0.18	\$ 1.46	\$ 0.52
Weighted average shares outstanding:				
Basic	59,166	54,821	58,146	54,632
Assuming dilution	72,662	67,746	71,917	67,496

See notes to condensed consolidated financial statements.

**CommScope, Inc.**

**Condensed Consolidated Balance Sheets  
(Unaudited In thousands, except share amounts)**

Edgar Filing: COMMSCOPE INC - Form 10-Q

	September 30, 2006	December 31, 2005
<b>Assets</b>		
Cash and cash equivalents	\$ 221,610	\$ 146,549
Short-term investments	112,123	102,101
Total cash, cash equivalents and short-term investments	333,733	248,650
Accounts receivable, less allowance for doubtful accounts of \$15,241 and \$13,644, respectively	254,760	165,608
Inventories	159,325	123,603
Prepaid expenses and other current assets	31,906	26,156
Deferred income taxes	27,593	25,245
Total current assets	807,317	589,262
Property, plant and equipment, net	234,105	252,877
Goodwill	151,369	151,356
Other intangibles, net	66,831	69,297
Deferred income taxes	12,653	24,623
Other assets	22,418	14,766
Total Assets	\$ 1,294,693	\$ 1,102,181
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 93,284	\$ 63,444
Other accrued liabilities	103,053	100,498
Current portion of long-term debt	13,000	13,000
Total current liabilities	209,337	176,942
Long-term debt	274,350	284,300
Pension and postretirement benefit liabilities	95,358	101,989
Other noncurrent liabilities	18,347	16,925
Total Liabilities	597,392	580,156
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$.01 par value; Authorized shares: 20,000,000;		
Issued and outstanding shares: None at September 30, 2006 and December 31, 2005		
Common stock, \$.01 par value; Authorized shares: 300,000,000;		
Issued shares, including treasury stock: 69,545,064 at September 30, 2006 and 66,073,347 at		
December 31, 2005; Issued and outstanding shares: 59,345,064 at September 30, 2006 and 55,873,347		
at December 31, 2005		
	696	661
Additional paid-in capital	522,537	462,842
Deferred equity compensation		(8,980 )
Retained earnings	319,651	216,688
Accumulated other comprehensive loss	(48 )	(3,651 )
Treasury stock, at cost: 10,200,000 shares at September 30, 2006 and December 31, 2005	(145,535 )	(145,535 )
Total Stockholders' Equity	697,301	522,025
Total Liabilities and Stockholders' Equity	\$ 1,294,693	\$ 1,102,181

See notes to condensed consolidated financial statements.

**CommScope, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited In thousands)**

Edgar Filing: COMMSCOPE INC - Form 10-Q

	Nine Months Ended September 30, 2006		2005
<b>Operating Activities:</b>			
Net income	\$	102,963	\$ 33,360
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		41,858	45,469
Equity-based compensation		3,384	226
Deferred income taxes		9,967	1,638
Gain on OFS BrightWave note receivable		(29,800)	)
Restructuring costs related to fixed asset impairment			17,034
Tax benefit from stock option exercises			1,049
Changes in assets and liabilities:			
Accounts receivable		(88,289)	(46,406)
Inventories		(30,061)	(11,984)
Prepaid expenses and other current assets		(1,208)	(2,204)
Accounts payable and other accrued liabilities		32,260	18,979
Other noncurrent liabilities		(6,031)	(1,909)
Other		(3,575)	529
Net cash provided by operating activities		31,468	55,781
<b>Investing Activities:</b>			
Additions to property, plant and equipment		(22,625)	(16,350)
Proceeds from OFS BrightWave note receivable		29,800	
Acquisition of MC2 product line		(13,810)	)
Acquisition of Connectivity Solutions			653
Net purchases of short-term investments		(10,022)	(958)
Proceeds from disposal of fixed assets		4,599	1,706
Net cash used in investing activities		(12,058)	(14,949)
<b>Financing Activities:</b>			
Principal payments on long-term debt		(9,950)	(9,750)
Long-term financing costs			(306)
Proceeds from exercise of stock options		48,969	6,402
Tax benefit from stock option exercises		15,857	
Net cash provided by (used in) financing activities		54,876	(3,654)
Effect of exchange rate changes on cash		775	(1,093)
Change in cash and cash equivalents		75,061	36,085
Cash and cash equivalents, beginning of period		146,549	99,631
Cash and cash equivalents, end of period	\$	221,610	\$ 135,716

See notes to condensed consolidated financial statements.





**CommScope, Inc.**

**Condensed Consolidated Statements of Stockholders Equity**

**and Comprehensive Income**

(Unaudited In thousands, except share amounts)

Edgar Filing: COMMSCOPE INC - Form 10-Q

	<b>Nine Months Ended September 30, 2006</b>		<b>2005</b>
<b>Number of common shares outstanding:</b>			
Balance at beginning of period	55,873,347		54,487,745
Issuance of shares for stock option exercises	3,471,717		514,458
Issuance of shares to nonemployee directors			2,000
Balance at end of period	59,345,064		55,004,203
<b>Common stock:</b>			
Balance at beginning of period	\$ 661		\$ 647
Issuance of shares for stock option exercises	35		5
Balance at end of period	\$ 696		\$ 652
<b>Additional paid-in capital:</b>			
Balance at beginning of period	\$ 462,842		\$ 432,839
Issuance of shares for stock option exercises	48,934		6,397
Tax benefit from stock option exercises	15,857		1,050
Expiration of registration rights	500		
Impact of adoption of SFAS No. 123(R)	(8,980 )		
Equity-based compensation expense recognized	3,384		226
Issuance of shares to nonemployee directors			30
Balance at end of period	\$ 522,537		\$ 440,542
<b>Deferred equity compensation:</b>			
Balance at beginning of period	\$ (8,980 )		\$
Impact of adoption of SFAS No. 123(R)	8,980		
Balance at end of period	\$		\$
<b>Retained earnings:</b>			
Balance at beginning of period	\$ 216,688		\$ 166,710
Net income	102,963		33,360
Balance at end of period	\$ 319,651		\$ 200,070
<b>Accumulated other comprehensive loss:</b>			
Balance at beginning of period	\$ (3,651 )		\$ (5,198 )
Other comprehensive income, net of tax	3,603		3,474
Balance at end of period	\$ (48 )		\$ (1,724 )
<b>Treasury stock, at cost:</b>			
Balance at beginning and end of period	\$ (145,535 )		\$ (145,535 )
Total stockholders' equity	\$ 697,301		\$ 494,005

	<b>Three Months Ended September 30, 2006</b>		<b>2005</b>	<b>Nine Months Ended September 30, 2006</b>		<b>2005</b>
<b>Comprehensive income:</b>						
Net income	\$ 43,590		\$ 11,522	\$ 102,963		\$ 33,360
<b>Other comprehensive income (loss), net of tax:</b>						
Foreign currency translation gain (loss) - foreign subsidiaries	(18 )		(1,176 )	(397 )		(5,176 )
Foreign currency transaction gain (loss) on long-term intercompany loans - foreign subsidiaries	(184 )		2,791	4,586		7,473
Gain (loss) on derivative financial instrument designated as a net investment hedge	166		36	(586 )		1,177
Total other comprehensive income (loss), net of tax	(36 )		1,651	3,603		3,474
Total comprehensive income	\$ 43,554		\$ 13,173	\$ 106,566		\$ 36,834

See notes to condensed consolidated financial statements.



**CommScope, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited In Thousands, Unless Otherwise Noted)**

**1. BACKGROUND AND BASIS OF PRESENTATION**



**Background**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

CommScope, Inc., through its wholly owned subsidiaries (CommScope or the Company), is a world leader in the design and manufacture of cable and connectivity solutions for communications networks. The Company focuses on the last mile in communications networks, which is the distribution access, or final link to the customer. The Company is a global leader in both structured cabling for business enterprise applications and broadband coaxial and fiber optic cables for the cable television industry. The Company also designs, manufactures and markets a broad line of high-performance electronic, coaxial and fiber optic cable products for data networking, Internet access, wireless communication, telephony and other broadband applications. In addition, the Company is a leading provider of environmentally secure enclosures for telecommunication service providers in the United States.

### **Basis of Presentation**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

The condensed consolidated balance sheet as of September 30, 2006, the condensed consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2006 and 2005, and the condensed consolidated statements of cash flows and stockholders' equity for the nine months ended September 30, 2006 and 2005 are unaudited and reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for a fair presentation of the interim period financial statements. The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the full year.

The unaudited interim condensed consolidated financial statements of CommScope have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The significant accounting policies followed by the Company are set forth in Note 2 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2005 (the 2005 Form 10-K). There were no changes in the Company's significant accounting policies during the three or nine months ended September 30, 2006 other than the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payments (SFAS No. 123(R)) as of January 1, 2006, which is discussed below. In addition, the Company reaffirms the use of estimates in the preparation of the financial statements as set forth in the 2005 Form 10-K. These interim condensed consolidated financial statements should be read in conjunction with the Company's December 31, 2005 audited consolidated financial statements and notes thereto included in the 2005 Form 10-K.

### **Concentrations of Risk**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

Net sales to Anixter International Inc. and its affiliates (Anixter) accounted for approximately 32% and 29% of the Company's total net sales during the three and nine months ended September 30, 2006, respectively, and approximately 30% and 33% of the Company's total net sales during the three and nine months ended September 30, 2005, respectively. Sales to Anixter primarily originate within the Enterprise segment.

Net sales to an original equipment manufacturer (OEM) accounted for approximately 10% of the Company's total net sales during the three months ended September 30, 2006. Sales to this OEM primarily originate within the Carrier segment. Other than Anixter and the OEM, no customer accounted for 10% or more of the Company's total net sales for the three or nine months ended September 30, 2006 and 2005.

Accounts receivable from Anixter represented approximately 17% and accounts receivable from the OEM represented approximately 11% of net accounts receivable as of September 30, 2006. No other customer accounted for 10% or more of the Company's net accounts receivable as of September 30, 2006.

7

---

**Product Warranties**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

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

Activity in the product warranty accrual, included in other accrued liabilities, for the three and nine months ended September 30, 2006 and 2005 consisted of the following:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Product warranty accrual, beginning of period	\$ 2,578	\$ 1,329	\$ 2,035	\$ 1,531
Provision for warranty claims	344	86	1,023	131
Warranty claims paid		(46 )	(136 )	(293 )
Product warranty accrual, end of period	\$ 2,922	\$ 1,369	\$ 2,922	\$ 1,369

### Commitments and Contingencies

## Edgar Filing: COMMSCOPE INC - Form 10-Q

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

### **Net Income Per Share**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the applicable period. Diluted net income per share is based on net income adjusted for after-tax interest and amortization of debt issuance costs related to convertible debt, if dilutive, divided by the weighted average number of common shares outstanding adjusted for the dilutive effect of stock options, restricted stock, phantom stock, performance units and convertible securities (see Note 9).

8

---



Edgar Filing: COMMSCOPE INC - Form 10-Q

Below is a reconciliation of net income and weighted average common shares and potential common shares outstanding for calculating diluted net income per share:

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2005	
<b>Numerator:</b>				
Net income for basic net income per share	\$ 43,590	\$ 11,522	\$ 102,963	\$ 33,360
Effect of assumed conversion of 1% convertible senior subordinated debentures due 2024	629	629	1,887	1,887
Income available to common shareholders for diluted net income per share	\$ 44,219	\$ 12,151	\$ 104,850	\$ 35,247
<b>Denominator:</b>				
Weighted average number of common shares outstanding for basic net income per share	59,166	54,821	58,146	54,632
<b>Effect of dilutive securities:</b>				
Employee stock options (a)	1,823	1,431	2,136	1,370
Restricted stock, phantom stock and performance units	179		141	
1% convertible senior subordinated debentures due 2024	11,494	11,494	11,494	11,494
Weighted average number of common and potential common shares outstanding for diluted net income per share	72,662	67,746	71,917	67,496



(a) Options to purchase approximately 0.6 million and 1.9 million common shares were excluded from the computation of net income per share, assuming dilution, for the three months ended September 30, 2006 and 2005, respectively, and options to purchase approximately 0.6 million and 3.0 million common shares were excluded from the computation of net income per share, assuming dilution, for the nine months ended September 30, 2006 and 2005, respectively, because they would have been antidilutive.

**Equity-Based Compensation**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

On January 1, 2006, the Company adopted SFAS No. 123(R) using the modified prospective transition method to account for its equity-based compensation arrangements. The Company previously applied Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations and provided the required pro forma disclosures of SFAS No. 123, Accounting for Stock-Based Compensation. See Note 9 for the pro forma disclosures required for the three and nine months ended September 30, 2005. The adoption of SFAS No. 123(R) did not materially affect the accounting for the equity-based compensation associated with the Company's previously awarded phantom stock or performance units, which was already based on the market price of the stock at date of grant. Under the modified prospective transition method, new and previously granted but unvested equity awards are recognized as compensation expense in the income statement based on the estimated fair value of the award (net of estimated forfeitures) at the grant date, and prior period results are not restated. The Company estimates the fair value of stock options using the Black-Scholes valuation model. The balance previously reflected as deferred equity compensation (a contra-equity account) was eliminated against additional paid-in capital (APIC) upon adoption of SFAS No. 123(R).

With the adoption of SFAS No. 123(R), the Company changed its method of expense attribution for equity-based compensation for future awards from recognition over the nominal vesting period to recognition over the requisite service period. Compensation expense for equity-based awards granted prior to January 1, 2006 will continue to be recognized over the nominal vesting period. For the three and nine months ended September 30, 2006, additional pretax compensation expense of \$0.3 million and \$0.8 million, respectively, was recognized due to the continued use of the nominal vesting period for awards that were granted prior to January 1, 2006 to retirement-eligible employees.

The Company records deferred tax assets related to compensation expense for awards that are expected to result in future tax deductions for the Company, based on the amount of compensation cost recognized and the Company's statutory tax rate in the jurisdiction in which it expects to receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and actual tax deductions reported on the Company's income tax return are recorded in APIC (if the tax deduction exceeds the deferred tax asset) or in the Condensed

Consolidated Statement of Operations as additional income tax expense (if the deferred tax asset exceeds the tax deduction and no excess APIC exists from previous awards). In determining the amount of excess APIC at the adoption of SFAS No. 123(R), the Company utilized the simplified alternative provided in FASB Staff Position FAS 123(R)-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards (FSP FAS 123(R)-3).

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits resulting from the exercise of stock options as operating cash inflows in the Condensed Consolidated Statements of Cash Flows. SFAS No. 123(R) requires the benefit of tax deductions in excess of the compensation costs recognized for those options to be classified as financing cash inflows rather than operating cash inflows, on a prospective basis. As a result of utilizing the simplified alternative provided under FSP FAS 123(R)-3, all tax benefits resulting from the exercise of stock options that were vested as of the adoption of SFAS No. 123(R) will be classified as financing cash inflows.

#### **Impact of Newly Issued Accounting Standards**

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, Inventory Costs, an Amendment of ARB No. 43, Chapter 4. This statement is the result of efforts to converge U.S. accounting standards for inventories with International Accounting Standards. SFAS No. 151 requires that items such as idle facility expense, excessive spoilage and rehandling costs be recognized as expenses in the current period. It also requires that allocation of fixed production overhead to the costs of conversion be based on normal capacity of the production facilities. The Company adopted this standard January 1, 2006 and its adoption did not have a material impact on the Company's financial condition, results of operations or cash flows.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Tax Positions (FIN 48) to provide guidance on the recognition and measurement in financial statements of uncertain tax positions taken or expected to be taken on tax returns. FIN 48 also provides for new disclosures with respect to unrecognized tax benefits. FIN 48 is effective for 2007 and a cumulative effect adjustment will be recognized in opening retained earnings for the impact of applying the guidance as of January 1, 2007. The Company is not presently able to determine the impact of applying FIN 48.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R). SFAS No. 158 requires that the underfunded or overfunded position of defined benefit plans be fully recognized as a liability or asset on the balance sheet of the sponsor. SFAS No. 158 does not change how the expense related to such plans is determined. The initial recognition of the underfunded and/or overfunded position of the plans will be as of December 31, 2006 and will be offset on an after-tax basis with a charge or credit to accumulated other comprehensive income/(loss). The Company does not presently expect that there will be a material impact on stockholders' equity from applying SFAS No. 158.

## **2. ACQUISITIONS**

## Edgar Filing: COMMSCOPE INC - Form 10-Q

On March 6, 2006, CommScope acquired the assets supporting the trunk and distribution cable television products business of Trilogy Communications, Inc., along with certain other assets. The purchase price of \$13.8 million was paid in cash. The products acquired were integrated into the Broadband segment and resulted in net sales of \$4.4 million and \$8.7 million for the three and nine months ended September 30, 2006, respectively.

10

---

The allocation of the purchase price, based on estimated fair values of the assets acquired, is as follows:

	<b>Amortization Period (in years)</b>	<b>Estimated Fair Value (in millions)</b>
Inventory		\$ 4.9
Other current assets		0.3
Machinery and equipment		1.1
Intangible assets		
Customer relationships	10	4.0
Non-compete agreement	7	1.7
Other identifiable intangible assets	10	1.8
Total purchase price		\$ 13.8

The weighted average useful life of the intangible assets acquired is 9.3 years.

In conjunction with the Company's acquisition of substantially all of the assets and assumption of certain liabilities of the Connectivity Solutions business of Avaya Inc. in January 2004, the Company issued approximately 1.8 million shares of CommScope common stock. These unregistered shares included registration rights and the Company established a liability at the time the shares were issued for such registration costs. During the nine months ended September 30, 2006, the registration rights expired and the Company reversed the liability that had been established, resulting in an increase to additional paid-in capital of \$0.5 million.

### 3. BALANCE SHEET DATA

**Short-term Investments**



## Edgar Filing: COMMSCOPE INC - Form 10-Q

At September 30, 2006 and December 31, 2005, the Company's short-term investments were composed of the following:

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
Available for sale	\$ 92,123	\$ 67,643
Held-to-maturity	20,000	34,458
	\$ 112,123	\$ 102,101

11

---

At September 30, 2006, the held-to-maturity short-term investments were composed of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt obligations	\$ 15,000	\$	\$ (147 )	\$ 14,853
Federal agency notes	5,000	2		5,002
	\$ 20,000	\$ 2	\$ (147 )	\$ 19,855

At December 31, 2005, the held-to-maturity short-term investments were composed of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt obligations	\$ 25,000	\$	\$ (88 )	\$ 24,912
State and municipal obligations	6,467		(5 )	6,462
Federal agency notes	2,991		(13 )	2,978
	\$ 34,458	\$	\$ (106 )	\$ 34,352

#### Inventories

Edgar Filing: COMMSCOPE INC - Form 10-Q

	September 30, 2006	December 31, 2005
Raw materials	\$ 53,674	\$ 49,936
Work in process	30,388	26,002
Finished goods	75,263	47,665
	\$ 159,325	\$ 123,603

**4. LONG-TERM DEBT**

Edgar Filing: COMMSCOPE INC - Form 10-Q

	<b>September 30, 2006</b>	<b>December 31, 2005</b>
Senior secured term loan	\$ 26,550	\$ 36,500
1% convertible senior subordinated debentures	250,000	250,000
IDA notes	10,800	