CommScope Holding Company, Inc.
Form 10-K
February 20, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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: 001-36146

CommScope Holding Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**27-4332098**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1100 CommScope Place, SE		
Hickory, North Carolina	**28602**	**(828) 324-2200**
	(Zip Code)	**(Telephone number)**

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	**Nasdaq**

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x 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. Yes ¨ No x

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 such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. x

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

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

The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant was approximately $1,922 million as of June 30, 2014 (based on the $23.13 closing price on the Nasdaq on that date). For purposes of this computation, shares held by affiliates and by directors and officers of the registrant have been excluded.

As of February 9, 2015 there were 188,193,838 shares of the registrant s Common Stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant s Proxy Statement for the 2015 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

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PART I

Unless the context otherwise requires, references to CommScope Holding Company, Inc., CommScope, we, us, or are to CommScope Holding Company, Inc. and its direct and indirect subsidiaries on a consolidated basis.

This Annual Report on Form 10-K includes forward-looking statements that are identified by the use of certain terms and phrases including but not limited to intend, goal, estimate, expect, project, projections, plans, anticip could, designed to, foreseeable future, believe, confident, think, scheduled, outlook, guidance and si This list of indicative terms and phrases is not intended to be all-inclusive. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. Item 1A, Risk Factors , of this Annual Report on Form 10-K sets forth more detailed information about the factors that may cause our actual results to differ, perhaps materially, from the views stated in such forward-looking statements. We are not undertaking any duty or obligation to update any forward-looking statements to reflect developments or information obtained after the date of this Annual Report on Form 10-K, except to the extent required by law.

ITEM 1. BUSINESS

Company Overview

We are a leading global provider of connectivity and essential infrastructure solutions for wireless, business enterprise and residential broadband networks. We help companies around the world design, build and manage their wired and wireless networks by providing critical radio frequency (RF) solutions, intelligent connectivity and cabling platforms, data center and intelligent building infrastructure and broadband access solutions. Demand for our offerings is driven by the rapid growth of data traffic and need for bandwidth from the continued adoption of smartphones, tablets, machine-to-machine communication and the proliferation of data centers, Big Data, cloud-based services and streaming media content. Our solutions are built upon innovative RF technology, service capabilities, technological expertise and intellectual property, including approximately 2,700 patents and patent applications worldwide. We have a team of approximately 13,000 people to serve our customers in over 100 countries through a network of more than 20 world-class manufacturing and distribution facilities strategically located around the globe. Our customers include substantially all of the leading global wireless operators as well as thousands of enterprise customers, including many Fortune 500 enterprises, and leading multi-system operators (MSOs). We have long-standing, direct relationships with our customers and serve them through a sales force consisting of more than 600 employees and a global network of channel partners. Our offerings for wired and wireless networks enable delivery of high-bandwidth data, video and voice applications. To drive incremental revenue and profit, wireless operators and enterprises around the world are utilizing our solutions to increase bandwidth; manage existing capacity; improve network performance and availability; increase energy efficiency; and simplify technology migration.

CommScope Holding Company, Inc. was incorporated in Delaware on October 22, 2010.

In January 2011, funds affiliated with The Carlyle Group (Carlyle) completed the acquisition of CommScope, Inc., our predecessor. Under the terms of the acquisition, CommScope, Inc. became a wholly-owned subsidiary of CommScope Holding Company, Inc. As of December 31, 2014, Carlyle owned approximately 54% of our outstanding common stock.

For the year ended December 31, 2014, our revenues were $3.83 billion and our net income was $236.8 million. For further discussion of our current and prior year financial results, see Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

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The table below summarizes our offerings, global leadership positions and 2014 revenue:

(1) Excludes inter-segment eliminations.

Industry Background

We participate in the large and growing global market for connectivity and essential communications infrastructure. This market is being driven by the growth in bandwidth demand associated with the continued adoption of smartphones, tablets, machine-to-machine communication and the proliferation of data centers, Big Data, cloud-based services and streaming media content. Wireless operators are deploying 4G networks and next-generation network solutions to monetize the dramatic growth in bandwidth demand. As users consume more data on smartphones, tablets and computers, enterprises are faced with a growing need for higher bandwidth networks, in-building cellular coverage and more robust, efficient and intelligent data centers. MSOs are investing in their networks to deliver a competitive triple-play of services (voice, video and high-speed data) and to maintain service quality.

Carrier Investments in 4G Wireless Infrastructure

4G was developed to handle wireless data more efficiently and allows for faster, more reliable and more secure mobile service than 2G and 3G networks. The faster data rate and lower latency capabilities of 4G LTE networks enable a rich mobile computing experience for users. LTE networks are more efficient and cost effective for wireless operators, in part, because LTE networks improve spectral efficiency, allowing for greater throughput of data in a fixed amount of spectrum.

Wireless operators have been deploying LTE globally and are making the necessary wireless infrastructure investments to accommodate the growing demand for next-generation mobile communication services. LTE investment is expected to be deployed in several phases globally and the deployment is expected to last for several years. North American wireless operators have made a large LTE investment in building their initial LTE coverage. As a result of significant LTE investments, merger and acquisition (M&A) activity and the significant costs associated with spectrum auctions, we expect investments by North American wireless operators to slow in 2015 as compared to 2014. Many wireless operators in Europe, Asia and Latin America are expected to continue or increase their LTE investment cycle.

As wireless operators deploy LTE, they must manage an increasingly complex, increasingly RF sensitive network. As a result, we believe wireless operator 4G coverage and capacity investments will drive demand for our comprehensive offerings.

Small Cell Distributed Antenna Systems Enhance and Expand Wireless Coverage and Capacity

The traditional macro cell network requires mobile users to connect directly to macro cell base stations. Macro cells are primarily designed to provide coverage over wide areas and typically transmit powerful signals; however, they have high site acquisition costs and operating expenses. Additionally, they are not optimal for dense urban areas where physical structures often create coverage gaps and capacity is frequently constrained. Adding new macro cells or increasing the number of sectors on existing sites has been the traditional way to increase mobile capacity and will continue to be an important portion of the network. As capacity needs grow geometrically, however, new solutions are required for more densely populated areas. What is emerging as a very important portion of the network is a metro cell and an indoor network layer. Metro cells are smaller cell sites, located closer to the ground than a traditional macro cell site. They are located on street furniture such as existing street poles in urban areas. Finally there are small cell DAS solutions that address the capacity and speed requirements from an indoor perspective. These systems not only provide coverage and capacity to the indoor environment, but also, by reducing the load from the macro and metro layers, improve the network as a whole.

Wireless operators view in-building coverage as a critical component of their network deployment strategies. Key challenges for wireless operators in providing in-building cellular coverage are signal loss while penetrating building structures and interference created by mobile devices while connected to macro cell sites from inside a building. In-building DAS solutions bring the antenna significantly closer to the user, which results in better coverage and reduced interference. Additionally, in-building DAS provides field-proven, seamless signal handover for a user between indoor and outdoor zones that can support multi-operator, multi-frequency and multi-protocol (2G, 3G, 4G) applications, making it the most effective small cell solution. The benefits of small cell technologies have become increasingly important with the trend towards BYOD (bring your own device) in the enterprise market.

Small cell DAS solutions also address outdoor capacity issues in urban areas. This urban network capacity issue can be solved by deploying small cell DAS solutions to create small coverage areas that enable re-use of spectrum. Re-use of spectrum allows wireless operators to optimize capacity of existing licensed spectrum by significantly increasing repeated usage of the same frequencies within a defined coverage area.

Growth in Data Center Spending

Organizations are increasingly utilizing data centers to provide products and services to individuals and businesses. Data center investment is driven by the increase in demand for computing power and improved network performance, which is greatest for large enterprise data centers and cloud service providers. We expect there to be growing demand for scalable, flexible data center solutions.

An increase in average data center size and the number of assets in a data center significantly raises the total cost of ownership and the complexity of managing data center infrastructure. Data center operators strive to manage their resources efficiently and to reduce energy consumption by monitoring all elements within the data center. Data center infrastructure management (DCIM) software helps operators improve operational efficiency, maximize capability and reduce costs by providing clear insight into cooling capacity, power usage, utilization, applications and overall performance.

Transition to Intelligent Buildings

Business enterprises are managing the proliferation of wireless devices, the impact of cloud computing and emergence of wireless and wired business applications. This increasing complexity creates the need for infrastructure to support growing bandwidth requirements, in-building cellular coverage and capacity and software that monitors the physical layer. These enterprises are also investing in common communications and building automation systems to enhance energy efficiency, improve productivity and increase comfort. These intelligent building infrastructure solutions often include integrated network software, small cell DAS and advanced light-emitting diode (LED) lighting controls and sensor networks.

Strategy

In January 2015, we announced that we agreed to acquire TE Connectivity s Telecom, Enterprise and Wireless business in an all-cash transaction valued at approximately $3.0 billion. This business provides fiber optic connectivity for wireline and wireless networks and generated annual revenues of approximately $1.9 billion in its fiscal year ended September 26, 2014. The transaction is expected to accelerate our strategy to drive profitable growth by entering into attractive adjacent markets and to broaden our position as a leading communications infrastructure provider. In addition, we will have greater geographic and business diversity following the completion of the transaction. We believe the combination of this businesses with ours places us at the core of key secular growth trends in the markets we serve. It is our strategy to capitalize on these opportunities and to:

Continue Product Innovation

We plan to build on our legacy of innovation and on our worldwide portfolio of patents and patent applications by continuing to invest in research and development. Technology innovation such as our base station antenna technology, small cell DAS and intelligent enterprise infrastructure solutions build upon our leadership position by providing new, high-performance communications infrastructure solutions for our customers.

Enhance Sales Growth

We expect to capitalize on our scale, market position and broad offerings to generate growth opportunities by:

- *Offering existing products and solutions into new geographies.* For example, we have recently strengthened sales channels in India and China, thereby positioning us favorably for Enterprise growth in these markets.

- *Cross-selling our offerings into new markets*. We intend to build upon our RF technology expertise with small cell DAS solutions to develop in-building cellular solutions for enterprises, and we will continue to look for complementary opportunities to cross-sell our offerings.

- *Continuing to drive solutions offerings.* We intend to focus on selling solution offerings to our customers consistent with their evolving needs and enhancing our position as a strategic partner to our customers.

- *Making strategic acquisitions.* We have a disciplined approach to evaluating and executing complementary and strategic acquisitions.

Continue to Enhance Operational Efficiency and Cash Flow Generation

We continuously pursue opportunities to optimize our resources and reduce manufacturing costs by executing strategic initiatives aimed at improving our operating performance and lowering our cost structure. We believe that we have a strong track record of improving operational efficiency and successfully executing on formalized annual profit improvement plans, cost-savings initiatives and modest working capital improvements to drive future profitability and cash flows. We intend to utilize the cash that we generate to invest in our business, make strategic acquisitions and reduce our indebtedness.

Operating Segments

We serve our customers through three operating segments: Wireless, Enterprise and Broadband. Through our Andrew brand, we are the global leader in providing merchant RF wireless network connectivity solutions and small cell DAS solutions. Through our SYSTIMAX and Uniprise brands, we are the global leader in enterprise connectivity solutions, delivering a complete end-to-end physical layer solution, including connectivity and cables, enclosures, data center and network intelligence software, in-building wireless, advanced LED lighting systems management and network design services for enterprise applications and data centers. We are also a premier manufacturer of coaxial and fiber optic cable for residential broadband networks globally.

Net revenues are distributed among the three segments as follows:

	Year Ended December 31,		
	2014	2013	2012
Wireless	64.5%	62.5%	57.7%
Enterprise	22.2	23.7	25.5
Broadband	13.3	13.8	16.8
Total	100.0%	100.0%	100.0%

Wireless

We are the global leader in providing merchant RF wireless network connectivity solutions and small cell DAS solutions to enable carriers 2G, 3G and 4G networks. Our solutions, marketed primarily under the Andrew brand, enable wireless operators to deploy both macro cell sites and small cell DAS solutions to meet coverage and capacity requirements. We focus on all aspects of the Radio Access Network (RAN) from the macro and metro layers, to the indoor segment.

Our macro cell site solutions can be found at wireless tower sites and on rooftops and include base station antennas, microwave antennas, hybrid fiber-feeder and power cables, coaxial cables, connectors, amplifiers, filters and backup power solutions. Our metro cell solutions can be found outdoors on street poles and on other urban structures and include RF delivery, equipment housing and concealment. These fully integrated outdoor systems consist of specialized antennas, filters/combiners, backhaul solutions, intra-system cabling and power distribution, all minimized to fit an urban environment. Our small cell DAS solutions are primarily comprised of distributed antenna systems that allow wireless operators to increase spectral efficiency and thereby extend and enhance cellular coverage and capacity in challenging network conditions such as commercial buildings, urban areas, stadiums and transportation systems.

Our macro cell site, metro cell site and small cell DAS solutions establish us as a global leader in RF infrastructure solutions for wireless operators and original equipment manufacturers (OEMs). We provide a one-stop source for managing the technology lifecycle of a wireless network, including complete physical layer infrastructure solutions for 2G, 3G and 4G. Our comprehensive solutions include products for every major wireless protocol and allow wireless operators to operate across multiple frequency bands, reduce cost, achieve faster data rates and accelerate migration to the latest wireless technologies. Our wireless solutions are built using a modular approach, which has allowed us to leverage our core technology across generations of networks and mitigate technology risk. We provide a complete portfolio of RF infrastructure, and we are recognized for our leading technologies, comprehensive product portfolio and global scale.

To expand our Wireless segment offerings, we acquired two businesses of United Kingdom-based Alifabs Group (Alifabs) during 2014. Alifabs designs and supplies metro cell enclosures, monopoles, smaller streetworks towers and tower solutions for the United Kingdom telecommunications, utility and energy markets. We plan to leverage our sales and distribution networks to expand the services and solutions offering for Alifabs products across Europe.

Enterprise

We are the global leader in enterprise connectivity solutions for data centers and commercial buildings, comprised of voice, video, data and converged solutions that support mission-critical, high-bandwidth applications, including storage area networks, streaming media, data backhaul, cloud applications and grid computing. These comprehensive solutions, sold primarily under the SYSTIMAX and Uniprise brands, include optical fiber and twisted pair structured cable solutions, intelligent infrastructure software, network rack and cabinet enclosures, modular data centers, intelligent building sensors, advanced LED lighting control systems and network design services.

Our Enterprise connectivity solutions deliver data speeds up to 100 gigabits per second (Gbps). We integrate our structured cabling, connectors, in-building cellular solutions and network intelligence capabilities to create physical layer solutions that enable voice, video and data communication and building automation. We use proprietary modeling and simulation techniques to optimize networks to provide performance that exceeds established standards. Our network design services and global network of partners offer customers custom, turnkey network solutions that are tailored to each customer s unique requirements.

We complemented our leading physical layer offerings through business acquisitions during 2013. The addition of iTRACS Corporation (iTRACS), a leading provider of DCIM software, with unique network intelligence capabilities complements our data center offerings. We also acquired Redwood Systems, Inc. (Redwood), a provider of advanced LED lighting control and high-density sensor solutions, which complements our in-building cellular and intelligent building solutions.

We maintain a leading global market position in enterprise connectivity and network intelligence for data center and commercial buildings due to our differentiated technology, long-standing relationships with customers and channel partners, strong brand recognition, premium product features and the performance and reliability of our solutions. We also believe our global Enterprise sales channel and industry-leading small cell DAS solutions uniquely position us to address the wireless operator and business owner s desire for ubiquitous in-building cellular coverage.

Broadband

We are a global leader in providing cable and communications products that support the multichannel video, voice and high-speed data services provided by MSOs. We believe we are the leading global manufacturer of coaxial cable for hybrid fiber-coaxial (HFC) networks and a leading supplier of fiber optic cable for North American MSOs.

The Broadband segment is our most mature business, and we expect demand for Broadband products to continue to be influenced by the ongoing maintenance requirements of cable networks, competition between cable providers and wireless operators and the challenged residential construction market activity in North America. We are focused on improving the profitability and efficiency of this segment through improving utilization of our factories, rationalizing our product portfolio and other cost reduction initiatives.

Products

Solutions Offering	Description
Cell site solutions	Our cell site solutions can be found at wireless tower sites and on rooftops and include base station antennas, microwave antennas, hybrid fiber-feeder and power cables, coaxial cables, connectors, power amplifiers, filters and backup power solutions.
Metro cell concealment solutions	Our metro cell solutions include RF delivery, equipment housing and concealment. The fully integrated outdoor systems include specialized antennas, filters/combiners, intra-system cabling and power distribution in a minimalistic, concealment form factor. These solutions facilitate site acquisition and improve RF network performance in the metro area while minimizing interference with the macro layer. Furthermore they expedite construction and enable faster zoning approvals.
Small cell DAS solutions	Our small cell DAS solutions are primarily comprised of distributed antenna systems that allow wireless operators to increase spectral efficiency, thereby extending and enhancing cellular coverage and capacity in challenging network conditions such as urban areas, commercial buildings, stadiums and transportation systems.
Intelligent enterprise infrastructure solutions	Our Enterprise solutions, sold primarily under the SYSTIMAX and Uniprise brands, include optical fiber and twisted pair structured cable solutions, intelligent infrastructure software, network rack and cabinet enclosures, intelligent building sensors, advanced LED lighting control systems and network design services.
Data Center solutions	We have complemented our leading physical layer solution offerings with the introduction of modular data centers (Data Center on Demand) and the addition of iTRACS, a leading provider of DCIM software, which provides unique network intelligence capabilities.
Broadband MSO solutions	We provide a broad portfolio of cable solutions including fiber-to-the- home equipment and headend solutions for MSOs.

Manufacturing and Distribution

We develop, design, fabricate, manufacture and assemble many of our products and solutions in-house at our facilities located around the world. We have strategically located our manufacturing and distribution facilities to provide superior service levels to customers. We have utilized lower cost geographies for high labor content products while investing in largely automated plants in higher cost regions close to customers. Currently, more than half of our manufacturing employees are located in lower-cost geographies such as China, the Czech Republic, India and Mexico. We continually evaluate and adjust operations to improve service, lower cost and improve the return on our capital investments. In addition, we utilize contract manufacturers for many of our product groups, including certain cabinets, power amplifiers and filter products. We believe that we have enough production capacity in place today to support current business levels and expected growth with modest capital investments.

Research and Development

Research and development is important to preserve our position as a market leader and to provide the most technologically advanced solutions in the marketplace. We have invested more than $120 million in research and development in each of the last three years. Our major research and development activities relate to ensuring our wireless products can meet our customers changing needs and to developing new enterprise structured-cabling solutions as well as improved functionality and more cost-effective designs for cables and apparatus. Many of our professionals maintain a presence in standards-setting organizations which helps ensure that our products can be formulated to achieve broad market acceptance.

Customers

Our customers include substantially all of the leading global wireless operators as well as thousands of enterprise customers, including many Fortune 500 enterprises, and leading cable television providers or MSOs, which we serve both directly and indirectly. Major customers and distributors include companies such as Anixter International Inc., AT&T Inc., Verizon Communications Inc., Comcast Corporation, T-Mobile US, Inc., Graybar Electric Company Inc., Ericsson Inc., Alcatel-Lucent SA, Ooredoo and Huawei Technologies Co., Ltd. We support our global sales organization with regional service centers in locations around the world.

Products from our Wireless segment are primarily sold directly to wireless operators, to OEMs that sell equipment to wireless operators or to other service providers that deploy elements of wireless networks at the direction of wireless operators. Our customer service and engineering groups maintain close working relationships with these customers due to the significant amount of design and customization associated with some of these products. Direct sales to our top three Wireless segment customers represented 19% of our consolidated net sales for the year ended December 31, 2014 and 18% of our consolidated net sales for the year ended December 31, 2013. Sales to our top three OEM customers represented 8% and 9% of our consolidated net sales for the years ended December 31, 2014 and 2013, respectively. No direct Wireless segment customer accounted for 10% or more of our consolidated net sales for the years ended December 31, 2014 or 2013.

The Enterprise segment has a dedicated sales team that generates customer demand for our solutions, which are sold to thousands of end customers primarily through independent distributors, system integrators and value-added resellers. Direct and indirect sales of Enterprise products to our top three Enterprise segment customers, all of whom are distributors, represented 15% of our consolidated net sales for the year ended December 31, 2014 and 16% of our consolidated net sales for the year ended December 31, 2013. Net sales to our largest distributor, Anixter International Inc. and its affiliates (Anixter), accounted for 11% and 12% of our consolidated net sales for the years ended December 31, 2014 and December 31, 2013, respectively.

Broadband segment products are primarily sold directly to cable television system operators. Although we sell to a wide variety of customers dispersed across many different geographic areas, sales to our three largest domestic broadband customers represented 6% of our consolidated net sales for the year ended December 31, 2014 and 5% of our consolidated net sales for the year ended December 31, 2013.

We generally have no minimum purchase commitments with any of our distributors, system integrators, value-added resellers, wireless operators or OEM customers, and our contracts with these parties do not prohibit them from purchasing or offering products or services that compete with ours. While we maintain long-term relationships with these parties and have not historically lost key customers, we have experienced variability in the level of purchases by our key customers, and any significant reduction in sales to these customers, including as a result of the inability or unwillingness of these customers to continue purchasing our products, or their failure to properly manage their business with respect to the purchase of and payment for our products, could materially and adversely affect our business, results of operations, financial condition and cash flows. See Part I, Item 1A, Risk Factors .

We employ a global manufacturing and distribution strategy to control production costs and improve service to customers. We support our international sales efforts with sales representatives based in Europe, Latin America, Asia and other regions throughout the world. Our net sales from international operations were $1.7 billion for the year ended December 31, 2014 and $1.6 billion for each of the years ended December 31, 2013 and 2012.

Patents and Trademarks

We pursue an active policy of seeking intellectual property protection, namely patents and registered trademarks, for new products and designs. On a worldwide basis, we held approximately 2,700 patents and patent applications and over 1,300 registered trademarks and trademark applications as of December 31, 2014. We consider our patents and trademarks to be valuable assets, and while no single patent is material to our operations as a whole, we believe the CommScope, Andrew, Uniprise and SYSTIMAX trade names and related trademarks are critical assets to our business. We intend to rely on our intellectual property rights, including our proprietary knowledge, trade secrets and continuing technological innovation, to develop and maintain our competitive position. We will continue to protect certain key intellectual property rights.

Backlog and Seasonality

At December 31, 2014 and December 31, 2013, we had an order backlog of $479 million and $592 million, respectively. Orders typically fluctuate from quarter to quarter based on customer demand and general business conditions. Our backlog includes only orders that are believed to be firm. In some cases, unfilled orders may be canceled prior to shipment of goods, but cancellations historically have not been material. However, our current order backlog may not be indicative of future demand.

Due to the variability of shipments under large contracts, customers seasonal installation considerations and variations in product mix and in profitability of individual orders, we can experience significant quarterly fluctuations in sales and operating income. Our operating performance is typically weaker during the first and fourth quarters and stronger during the second and third quarters. These variations are expected to continue in the future. Consequently, it may be more meaningful to focus on annual rather than interim results.

Competition

The market for our products is highly competitive and subject to rapid technological change. We encounter significant domestic and international competition across all segments of our business. Our competitors include large, diversified companies some of whom have substantially more assets and greater financial resources than we do as well as small to medium-sized companies. We also face competition from less diversified companies that have concentrated their efforts in one or more areas of the markets we serve. Our competitors include Amphenol Corporation, Belden Inc., Berk-Tek (a company of Nexans S.A.), Comba Telecom Systems Holding Ltd., Corning Incorporated, Emerson Electric Co., Ericsson Inc., Huawei Technologies Co., Ltd., JMA Wireless, KATHREIN-Werke KG, Nokia, Panduit Corp., RFS (a division of Alcatel-Lucent SA), SOLiD Technologies, SpiderCloud Wireless, Inc. and TE Connectivity Ltd. We compete primarily on the basis of delivery solutions, product specifications, quality, price, customer service and delivery time. We believe that we differentiate ourselves in many of our markets based on our market leadership, global sales channels, manufacturing, intellectual property, strong reputation with our customer base, the scope of our product offering, the quality and performance of our solutions and our service and technical support.

Competitive Strengths

We believe the following competitive strengths have been instrumental to our success and position us well for future growth and strong financial performance.

Global Market Leadership Position

We are a global leader in connectivity and essential infrastructure solutions for communications networks, and we believe we hold leading market positions across our segments.

Since our founding in 1976, CommScope has been a leading brand in connectivity solutions for communications networks. In the wireless industry, Andrew is one of the world s most recognized brands and a global leader in RF solutions for wireless networks. In the enterprise market, SYSTIMAX and Uniprise are recognized as global market leaders in enterprise connectivity solutions for business enterprise and data center applications.

Global Scale and Manufacturing Footprint

Our global manufacturing footprint and 600-person sales force give us significant scale within our addressable markets. We believe our scale and stability make us an attractive strategic partner to our large global customers, and we have been repeatedly recognized by several of our key customers for these attributes. In addition, our ability to leverage our core competencies across our business coupled with our successful track record of operational efficiencies has allowed us to improve our margins and cash flows while continuing to invest in R&D and acquisitions targeting new products and new markets.

Our manufacturing and distribution facilities are strategically located to optimize service levels and product delivery times. We also utilize lower-cost geographies for high labor content products and largely automated plants in higher-cost regions. Currently, more than half of our manufacturing employees are located in lower-cost geographies such as China, the Czech Republic, India and Mexico. Our dynamic manufacturing and distribution organization allows us to:

- flex our capacity to meet market demand and expand our market position;
- provide high customer service levels due to proximity to the customer; and
- effectively integrate acquisitions and capitalize on related synergies.

Differentiated Solutions Supported by Ongoing Innovation and Significant Proprietary IP

Our integrated solutions for wireless, enterprise and broadband networks are differentiated in the marketplace and are a significant global competitive advantage. We have invested more than $120 million in research and development in each of the last three years. We have also added IP and innovation through acquisitions, such as Argus Technologies (Argus), which enhanced our next-generation base station antenna technology, iTRACS, Redwood and Alifabs. Our ongoing innovation, supported by proprietary IP and technology know-how, has allowed us to sustain this competitive advantage.

Integrated solutions. Our wireless network offerings include complete connectivity solutions supporting 2G, 3G and 4G wireless technologies for both macro cell sites and small cell DAS. We are able to provide a complete portfolio of integrated RF solutions from the output of the base station (or baseband processor) at the bottom of the tower to the antenna at the top of the tower. In the enterprise market, we deliver a comprehensive solution including connectivity and cables, enclosures, network intelligence software, advanced LED lighting systems and network design services. Our ability to provide integrated connectivity solutions for wireless, enterprise and broadband networks makes us a value-added solutions provider to our customers and gives us a significant competitive advantage.

Strong design capabilities and technology know-how. We have a long tradition of developing highly engineered connectivity solutions, demonstrating superior performance across various generations of networks. Our ongoing focus on engineering innovation has enabled us to create high quality products that are reliable, have a desirable form factor and enable our customers to optimize the performance, flexibility, installation time, energy consumption and space requirements of their network deployments.

Significant proprietary IP. Our proven record of innovation and decades of experience creating market-leading technology products are evidenced by our approximately 2,700 patents and patent applications, as well as our over 1,300 registered trademarks and trademark applications, worldwide. Our significant proprietary IP, when combined with our deep engineering expertise, allows us to create industry defining solutions for customers around the world.

Established Sales Channels and Customer Relationships

We serve customers in over 100 countries and have become a trusted advisor to many of them through our industry expertise, quality, technology and long-term relationships. These factors enable us to provide mission-critical connectivity solutions that our customers need to build high-performing communication networks.

Our customers include substantially all of the leading global wireless operators as well as thousands of enterprise customers, including many Fortune 500 enterprises, and leading cable television providers or MSOs. We are a key merchant supplier within the wireless infrastructure market and enjoy established sales channels across all geographies and technologies. Our long-standing relationships with wireless operators enable us to work closely with them in providing highly customized solutions that are aligned with their technology roadmaps. We have a global Enterprise segment sales force with sales representatives based in North America, Europe, Latin America, Asia and other regions, and an extensive global network of channel partners including independent distributors, system integrators and value-added resellers. Our Enterprise segment sales force has direct relationships with our Enterprise customers and generates demand for our products, with sales fulfilled primarily through channel partners. Our direct sales force and channel partner relationships give us extensive reach and distribution capabilities to customers globally. Our Broadband segment products are primarily sold directly to MSOs with whom we have long-standing relationships.

Proven Management Team with Record of Operational Excellence and Successful M&A Integration

We have a strong track record of organically growing market share, establishing leadership positions in new markets, managing cash flows, delivering profitable growth across multiple economic cycles and integrating large and small acquisitions. Our senior management team has an average of more than 20 years of experience in connectivity solutions for the communications infrastructure industry.

We have a history of strong operating cash flow and have generated approximately $1.2 billion in aggregate in operating cash flow over the last five fiscal years. Our strong cash flow profile has allowed us to continue to invest in innovative research and development, pursue strategic acquisitions, repay debt and return cash to stockholders prior to our initial public offering in 2013 (the IPO). We continuously pursue opportunities to optimize our resources and reduce manufacturing costs by executing strategic initiatives aimed at improving our operating performance and lowering our cost structure.

Throughout our history, we have successfully complemented our strong organic growth with strategic acquisitions. Our management team has effectively integrated large acquisitions, such as Andrew in 2007 and Avaya Connectivity Solutions in 2004, as well as executed tuck-in acquisitions, such as Argus, iTRACS, Redwood and Alifabs, to help expand our market opportunities and continue to solve our customers business challenges in multiple growth areas. We have also made strategic minority investments in order to gain access to key technologies or capabilities.

Raw Materials

Our products are manufactured or assembled from both standard components and parts that are unique to our specifications. Our internal manufacturing operations are largely process oriented and we use significant quantities of various raw materials, including copper, aluminum, steel, brass, plastics and other polymers, fluoropolymers, bimetals and optical fiber, among others. We use significant volumes of copper, aluminum, steel and polymers in the manufacture of coaxial and twisted pair cables and antennas. Other parts are produced using processes such as stamping, machining, molding and pressing from metals or plastics. Portions of the requirements for these materials are purchased under supply arrangements where some portion of the unit pricing may be indexed to commodity market prices for these metals. We may, from time to time, enter into forward purchase commitments for a specific commodity to mitigate our exposure to price changes for a portion of our anticipated purchases. Certain of the raw materials utilized in our products may only be available from a limited number of suppliers. We may, therefore, encounter availability issues and/or significant price increases.

Our profitability may be materially affected by changes in the market price of our raw materials, most of which are linked to the commodity markets. Prices for copper, aluminum, fluoropolymers and certain other polymers derived from oil and natural gas have fluctuated substantially during the past several years. As a result, we have adjusted our prices for certain Wireless, Enterprise and Broadband segment products and may have to adjust prices again in the future. Delays in implementing price increases, failure to achieve market acceptance of price increases or price reductions in response to a rapid decline in raw material costs could have a material adverse impact on the results of our operations.

In addition, some of our products are assembled from specialized components and subassemblies manufactured by suppliers. We are dependent upon sole suppliers for certain key components for some of our products. If these sources were not able to provide these components in sufficient quantity and quality on a timely and cost efficient basis, it could materially impact our results of operations until another qualified supplier is found. We believe that our supply contracts and our supplier contingency plans mitigate some of this risk.

Environment

We are subject to various federal, state, local and foreign environmental laws and regulations governing, among other things, discharges to air and water, management of regulated materials, the handling and disposal of solid and hazardous waste, the content of our products, and the investigation and remediation of contaminated sites. Because of the nature of our business, we have incurred, and will continue to incur, costs relating to compliance with or liability under these environmental laws and regulations. We believe we are in material compliance with applicable environmental requirements, including the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) and the Waste Electrical and Electronic Equipment Directive (WEEE) directives. Compliance with current laws and regulations has not had and is not expected to have a material adverse effect on our financial condition. However, new laws and regulations (including efforts to regulate the types of substances allowable in certain of our products, or greenhouse gas (GHG) emissions), stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new remediation or discharge requirements could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our business.

Pursuant to the U.S. Comprehensive Environmental Response Compensation and Liability Act of 1980 and similar state statutes, current or former owners or operators of a contaminated property, as well as companies that generated, disposed of, or arranged for the disposal of hazardous substances at a contaminated property, are subject to strict, and under certain circumstances joint and several liability (that could result in an entity paying more than its fair share), for the costs of investigation and remediation of the contaminated property. Certain of our owned facilities are the subject of ongoing investigation and/or remediation of contamination in the soil and/or groundwater and from time to time allegations are made that we arranged for the disposal of hazardous substances at sites that later require investigation and remediation. We are being indemnified by prior owners and operators of certain of these facilities from costs relating to most of these investigations or remediation activities.

Based on currently available information and, in certain matters, the availability of indemnification, we do not believe the costs associated with these contaminated sites will have a material adverse effect on our financial condition or results of operations. However, there can be no assurance that we will not ultimately be liable for some or all of such costs. Moreover, our present and former facilities have or had been in operation for many years and, over such time, operations at these facilities have used substances or generated and disposed of wastes that are or may be considered hazardous. In addition, we have disposed of waste products either directly or through third parties at numerous disposal sites and we may be held responsible for clean-up costs at these sites. Therefore, it is possible that environmental liabilities may arise in the future that we cannot now predict.

Employees

As of December 31, 2014, we had a team of approximately 13,000 people to serve our customers worldwide. The majority of our employees are located outside of the United States. As a matter of policy, we seek to maintain good relations with our employees at all locations. We are not subject to any collective bargaining agreements in the United States. Substantially all of our international employees are members of unions or subject to workers councils or similar statutory arrangements. From a companywide perspective, we believe that our relations with our employees and unions are satisfactory. Historically, periods of labor unrest or work stoppage have not had a material impact on our operations or results.

Available Information

Our web site (*www.commscope.com*) contains frequently updated information about us and our operations. Our filings with the Securities and Exchange Commission (SEC) on Form 10-K, Form 10-Q, Form 8-K and Proxy Statements and all amendments to those reports can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC by accessing *www.commscope.com* and clicking on *Investors* and then clicking on *SEC Filings*.

SEC Certifications

The certifications by the Chief Executive Officer and Chief Financial Officer of the Company, required under Section 302 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act), have been filed as exhibits to this Annual Report on Form 10-K.

Executive Officers and Directors of the Registrant

The following table provides information regarding our executive officers and Board of Directors:

Name	**Age**	**Position**
Marvin (Eddie) S. Edwards, Jr.	66	President, Chief Executive Officer and Director
Mark A. Olson	56	Executive Vice President and Chief Financial Officer
Frank M. Drendel	70	Director and Chairman of the Board
Randall W. Crenshaw	57	Executive Vice President and Chief Operating Officer
Frank (Burk) B. Wyatt, II	52	Senior Vice President, General Counsel and Secretary
Peter U. Karlsson	51	Senior Vice President, Global Sales
Robert W. Granow	57	Senior Vice President, Corporate Controller and Principal Accounting Officer
Philip M. Armstrong, Jr.	53	Senior Vice President, Corporate Finance
Joanne L. Townsend	61	Senior Vice President, Human Resources
Claudius (Bud) E. Watts IV	53	Director
Campbell (Cam) R. Dyer	41	Director
Austin A. Adams	71	Director
Marco De Benedetti	52	Director
Peter J. Clare	49	Director
Stephen (Steve) C. Gray	56	Director
L. William (Bill) Krause	72	Director
Timothy T. Yates	67	Director
Thomas J. Manning	59	Director

Marvin (Eddie) S. Edwards, Jr.

Mr. Edwards became our President and Chief Executive Officer and a member of our Board of Directors following the Acquisition of CommScope, Inc. by Carlyle in January 2011 (the Carlyle acquisition). From January 1, 2010 to the Carlyle acquisition, Mr. Edwards was our President and Chief Operating Officer. Prior to that, Mr. Edwards served as our Executive Vice President of Business Development and General Manager, Wireless Network Solutions since the closing of the Andrew acquisition in 2007. Prior to the Andrew acquisition, he served as our Executive Vice President of Business Development and the Chairman of the Board of Directors of our wholly-owned subsidiary, Connectivity Solutions Manufacturing LLC, since April 2005. Mr. Edwards also served as President and Chief Executive Officer of OFS Fitel, LLC and OFS BrightWave, LLC, a joint venture between our Company and The Furukawa Electric Co. Mr. Edwards has also served in various capacities with Alcatel, including President of Alcatel North America Cable Systems and President of Radio Frequency Systems. The Board of Directors has concluded that Mr. Edwards should serve as a director because he brings extensive experience regarding the management of public and private companies and the financial services industry, as well as an understanding of the telecommunications industry.

Mark A. Olson

Mr. Olson became our Executive Vice President and Chief Financial Officer on February 1, 2012. From November 2009 to January 2012, Mr. Olson served as our Senior Vice President and Corporate Controller. Mr. Olson served as Vice President and Controller for Andrew LLC since the closing of the Andrew acquisition. Prior to that acquisition, he was Vice President, Corporate Controller and Chief Accounting Officer of Andrew. Mr. Olson joined Andrew in 1993 as Group Controller, was named Corporate Controller in 1998, Vice President and Corporate Controller in 2000 and Chief Accounting Officer in 2003. Prior to joining Andrew, he was employed by Nortel and Johnson & Johnson.

Frank M. Drendel

Mr. Drendel has been our Chairman of the Board since the Carlyle acquisition. He served as our Chairman of the Board and Chief Executive Officer from July 28, 1997 (when we were spun-off (the Spin-Off) from General

Instrument Corporation and became an independent company) until the Carlyle acquisition. Effective with the Carlyle acquisition, Mr. Drendel stepped down as Chief Executive Officer but remained the Chairman of the Board.
Mr. Drendel served as a director of GI Delaware, a subsidiary of General Instrument Corporation, and its predecessors from 1987 to 1992 and was a director of General Instrument Corporation from 1992 until the Spin-Off and NextLevel Systems, Inc. (which was renamed General Instrument Corporation) from the Spin-Off until January 5, 2000.
Mr. Drendel served as President and Chairman of CommScope, Inc. of North Carolina (CommScope NC), our wholly owned subsidiary, from 1986 to 1997, and served as Chief Executive Officer of CommScope NC from 1976 until 2011.

Mr. Drendel is a director of the National Cable & Telecommunications Association, the principal trade association of the cable industry in the United States, and was inducted into the Cable Television Hall of Fame in 2002. Mr. Drendel joined the board of directors of Tyco International, Ltd. on September 14, 2012 and served as a director of Sprint Nextel Corporation from August 2005 to May 2008 and as a director of Nextel Communications, Inc. from August 1997 to August 2005. The Board of Directors has concluded that Mr. Drendel should serve as a director because he brings extensive experience regarding the management of public and private companies and the financial services industry, as well as an understanding of the telecommunications industry.

Randall W. Crenshaw

Mr. Crenshaw became our Executive Vice President and Chief Operating Officer following the consummation of the Carlyle acquisition. From January 1, 2010 to the Carlyle acquisition, Mr. Crenshaw was our Executive Vice President and Chief Supply Officer. Prior to this role, Mr. Crenshaw was Executive Vice President and General Manager, Enterprise since February 2004. From 2000 to 2004, he served as Executive Vice President, Procurement, and General Manager, Network Products Group of our Company. Prior to that time, he held various other positions with our Company since 1985.

Frank (Burk) B. Wyatt, II

Mr. Wyatt has been Senior Vice President, General Counsel and Secretary of CommScope since 2000. Prior to joining our company as General Counsel and Secretary in 1996, Mr. Wyatt was an attorney in private practice with Bell, Seltzer, Park & Gibson, P.A. (now Alston & Bird LLP). Mr. Wyatt is also our Chief Ethics and Compliance Officer.

Peter U. Karlsson

Mr. Karlsson has been our Senior Vice President, Global Sales since July 2011. Mr. Karlsson previously served as Senior Vice President, Enterprise Sales since our acquisition of Avaya s Connectivity Solutions division in 2004. From 2002 to that acquisition, he was Global Vice President, Sales for Avaya s SYSTIMAX division. Mr. Karlsson joined AT&T in 1989 holding several management positions in the Nordic and Sub-Sahara Africa regions, was named General Manager of Lucent Technologies Global Commercial Markets Southwest Territory in 1997 and Managing Director, Caribbean and Latin America for Lucent Global Business Partners Group in 1999 before transitioning to Vice President, Distribution for Avaya s Connectivity Solutions division.

Robert W. Granow

Mr. Granow became our Vice President, Corporate Controller and Principal Accounting Officer on February 1, 2012 and was promoted to Senior Vice President in December 2013. Mr. Granow joined CommScope in 2004 and has held various positions within the Corporate Controller organization. Prior to joining our Company, he was employed by LifeSpan Incorporated, Aetna, Inc. and Arthur Andersen & Co.

Philip M. Armstrong, Jr.

Mr. Armstrong has been our Senior Vice President, Corporate Finance since November 2009. Mr. Armstrong previously served as Vice President, Investor Relations and Corporate Communications since 2000. Prior to joining CommScope in 1997, he held various Treasury and Finance positions at Carolina Power and Light Co. (formerly Progress Energy).

Joanne L. Townsend

Ms. Townsend became our Senior Vice President, Human Resources, in November 2012. Prior to joining CommScope, she was the Chief Human Resource Officer at Zebra Technologies Corporation from 2008 to November 2012. Additionally, Ms. Townsend worked for CommScope from 2007 to 2008 as a vice president of HR, supporting the Wireless segment.

Ms. Townsend has more than 30 years of experience in human resources (HR), including a long-term career with Motorola where she spent time in the Asia Pacific region as an expatriate in Hong Kong and had global responsibility for sales and marketing organizations; functional experience in employee relations, compensation and staffing; and experience in strategic HR support for a variety of business functions.

Claudius (Bud) E. Watts IV

Mr. Watts became a member of our Board of Directors following the Carlyle acquisition and serves as the Chair of our Compensation and Nominating Committees. He currently serves as a Managing Director of The Carlyle Group. Prior to joining Carlyle in 2000, Mr. Watts was a Managing Director in the M&A group of First Union Securities, Inc. He joined First Union Securities when First Union acquired Bowles Hollowell Conner & Co., where Mr. Watts was a principal. He also serves on the board of directors of Freescale Semiconductor and Carolina Financial Corporation and has previously served on the boards of directors of numerous other Carlyle portfolio companies over the past 14 years, including SS&C Technologies, Inc. The Board of Directors has concluded that Mr. Watts should serve as a director because he brings extensive experience regarding the management of public and private companies and the financial services industry.

Campbell (Cam) R. Dyer

Mr. Dyer became a member of our Board of Directors following the Carlyle acquisition and serves on our Compensation Committee. He currently serves as a Managing Director in the Technology Buyout Group of The Carlyle Group, which he joined in 2002. Prior to joining Carlyle, Mr. Dyer was an associate with the private equity firm William Blair Capital Partners, a consultant with Bain & Company and an investment banking analyst in the M&A Group of Bowles, Hollowell, Conner & Co. He also serves on the board of directors of Dealogic. The Board of Directors has concluded that Mr. Dyer should serve as a director because he brings extensive experience regarding the management of public and private companies and the financial services industry.

Austin A. Adams

Mr. Adams became a member of our Board of Directors in January 2014 and serves on our Audit Committee. He served as Executive Vice President and Corporate Chief Information Officer of JPMorgan Chase from July 2004 (upon the merger of JPMorgan Chase and Bank One Corporation) until his retirement in October 2006. Prior to the merger, Mr. Adams served as Executive Vice President and Chief Information Officer of Bank One from 2001 to 2004. Prior to joining Bank One, he was Chief Information Officer at First Union Corporation (now Wells Fargo & Co.) from 1985 to 2001. Mr. Adams is also a director of the following public companies: The Dun & Bradstreet Corporation, Spectra Energy, Inc. and First Niagara Financial Group, Inc. The Board has concluded that

Mr. Adams should serve as a director because he brings significant experience in information technology, has significant public company directorship and committee experience and has significant core business skills, including technology and strategic planning.

Marco De Benedetti

Mr. De Benedetti became a member of our Board of Directors following the Carlyle acquisition. He joined Carlyle in 2005 and is currently a Managing Director and Co-head of Carlyle s European Buyout Group, particularly focusing on the telecommunications and branded consumer goods sectors. Prior to joining Carlyle, Mr. De Benedetti was the Chief Executive Officer of Telecom Italia from July 2005 to October 2005. Mr. De Benedetti was the Chief Executive Officer of Telecom Italia Mobile from 1999 until its merger with Telecom Italia in June 2005. Mr. De Benedetti currently also serves on the boards of directors of NBTY Inc., Moncler SpA, Twin-Set Simona Barbieri SpA, Marelli Motori SpA, CIR SpA and Cofide SpA. He served on the boards of directors of Numericable Group SA and Zodiac Marine & Pool during 2013 and Parmalat S.p.A. between 2005 and 2011. The Board of Directors has concluded that Mr. De Benedetti should serve as a director because he has significant directorship experience and has significant core business skills, including financial and strategic planning.

Peter J. Clare

Mr. Clare became a member of our Board of Directors following the Carlyle acquisition. Mr. Clare currently serves as a Managing Director of The Carlyle Group as well as Co-head of U.S. Buyout Group. Prior to joining Carlyle in 1992, Mr. Clare was with First City Capital Corporation, a private equity firm that invested in leveraged buyouts, public equities, distressed bonds and restructuring. Prior to joining First City Capital, he was with the Merchant Banking Group and Prudential-Bache. Mr. Clare currently serves on the boards of directors of Booz Allen Hamilton Holding Corporation, Sequa Corporation, Pharmaceutical Product Group and Signode Industrial. He served on the board of directors of Wesco Aircraft Holdings, Inc. between 2006 and 2012 and ARINC Inc. between 2007 and 2013. The Board of Directors has concluded that Mr. Clare should serve as a director because he brings significant experience in finance, financial reporting, compliance and controls and global businesses, has public company directorship and committee experience and has significant core business skills, including financial and strategic planning.

Stephen (Steve) C . Gray

Mr. Gray became a member of our Board of Directors following the Carlyle acquisition. He currently serves as a Senior Advisor to The Carlyle Group a position he has held since 2008. Mr. Gray is the Founder and Chairman of Gray Venture Partners, LLC a private investment company and previously served as President of McLeodUSA Incorporated from 1992 to 2004. Prior to joining McLeodUSA, he served from 1990 to 1992 as Vice President of Business Services at MCI Inc. and before that, from 1988 to 1990, he served as Senior Vice President of National Accounts and Carrier Services for TelecomUSA. From 1986 to 1988, Mr. Gray held a variety of sales management positions with WilTel Network Services and the Clayton W. Williams Companies, including ClayDesta Communications Inc. Mr. Gray serves as the Chairman of ImOn Communications, LLC, SecurityCoverage, Inc., Involta, LLC and HH Ventures, LLC and he also serves on the board of directors for Syniverse Holdings, Inc. and served on the board of directors for Insight Communications, Inc. from December 2005 until February 2012. In addition, he assumed the role of Interim President and CEO of Syniverse Holdings, Inc. in August 2014. The Board of Directors has concluded that Mr. Gray should serve as a director because he has significant core business skills, including financial and strategic planning, and has extensive experience as a director.

L. William (Bill) Krause

Mr. Krause became a member of our Board of Directors following the Carlyle acquisition and serves as a member of our Compensation and Nominating Committees. Mr. Krause has been President of LWK Ventures, a private advisory and investment firm, since 1991. He also currently serves as a Senior Advisor to The Carlyle Group. In addition, Mr. Krause served as President and Chief Executive Officer of 3Com Corporation, a global data networking company, from 1981 to 1990, and as its Chairman from 1987 to 1993 when he retired. Mr. Krause currently serves on the boards of directors of the following public companies: Brocade

Communications Systems, Inc., a networking systems supplier and Coherent, Inc., a leading supplier of Photonic-based systems. Mr. Krause previously served as a director for the following public companies: Core-Mark Holding Company, Inc., Packateer, Inc., Sybase, Inc. and Trizetto Group, Inc. The Board of Directors has determined that Mr. Krause should serve as a director because of his years of executive leadership and management experience in the high technology industry and his service on the boards of other public companies and committees thereof.

Timothy T. Yates

Mr. Yates became a member of our Board of Directors following the IPO and serves as the Chairman of our Audit Committee. In November 2014, Mr. Yates was appointed to the role of CEO of Monster Worldwide, Inc. He also serves as a director of Monster Worldwide, Inc., a publicly traded company. He served as Monster Worldwide s Executive Vice President from June 2007 until June 2013 and Chief Financial Officer from June 2007 until January 2011. Prior to that, Mr. Yates served as Senior Vice President, Chief Financial Officer and a director of Symbol Technologies, Inc. from February 2006 to June 2007. From January 2007 to June 2007, he was responsible for the integration of Symbol into Motorola, Inc. s Enterprise Mobility business. From August 2005 to February 2006, Mr. Yates served as an independent consultant to Symbol. Prior to this, from October 2002 to November 2005, Mr. Yates served as a partner and Chief Financial Officer of Saguenay Capital, a boutique investment firm. Prior to that, he served as a founding partner of Cove Harbor Partners, a private investment and consulting firm, which he helped establish in 1996. From 1971 through 1995, Mr. Yates held a number of senior leadership roles at Bankers Trust New York Corporation, including serving as Chief Financial and Administrative Officer from 1990 through 1995. The Board of Directors has concluded that Mr. Yates should serve as a director because he has significant core business skills, including financial and strategic planning, and he has significant management experience and financial expertise.

Thomas J. Manning

Mr. Manning became a member of our Board in September 2014 and serves on our Audit Committee. He has been a Lecturer in Law at The University of Chicago Law School, teaching courses on corporate governance, private equity and U.S.-China relations, since July 2012. Mr. Manning is also a Senior Advisor to The Demand Institute, a joint venture of The Conference Board and The Nielsen Company, and an Affiliated Partner of Waterstone Management Group. Previously, he served as the Chief Executive Officer of Cerberus Asia Operations & Advisory Limited, a subsidiary of Cerberus Capital Management, a global private equity firm, from April 2010 to June 2012, Chief Executive Officer of Indachin Limited from October 2005 to March 2009, Chairman of China Board of Directors Limited from August 2005 to April 2010, and a senior partner with Bain & Company and a member of Bain s China board and head of Bain s information technology strategy practice in the Silicon Valley and Asia from August 2003 to January 2005. Prior to that, Mr. Manning served as Global Managing Director of the Strategy & Technology Business of Capgemini, Chief Executive Officer of Capgemini Asia Pacific, and Chief Executive Officer of Ernst & Young Consulting Asia Pacific, where he led the development of consulting and IT service and outsourcing businesses across Asia from June 1996 to January 2003. Early in his career, Mr. Manning was with McKinsey & Company, Buddy Systems, Inc. and CSC Index. Mr. Manning is also a director of the following public companies: The Dun & Bradstreet Corporation and Clear Media Limited. He previously served as a director of iSoftStone Holdings Limited, Gome Electrical Appliances Company, AsiaInfo-Linkage, Inc. and Bank of Communications. The Board has concluded that Mr. Manning should serve as a director because he brings significant expertise in technology and business operations and innovation on a global scale, has significant public company directorship and committee experience and has significant core business skills, including strategic planning, regulatory matters, partnerships and alliances and general corporate governance.

ITEM 1A. RISK FACTORS

The following is a cautionary discussion of risks, uncertainties and assumptions that we believe are significant to our business. In addition to the factors discussed elsewhere in this Annual Report on Form 10-K, the following are some of the important factors that, individually or in the aggregate, we believe could make our results differ materially from those described in any forward-looking statements. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of risks, uncertainties and assumptions.

Risks Related to Our Business

Our business is dependent on capital spending on data and communication networks by customers or end users of our products and reductions in such capital spending adversely affect our business.

Our performance is dependent on customers or end users capital spending for constructing, rebuilding, maintaining or upgrading data and communication networks, which can be volatile or hard to forecast. Capital spending in the communications industry is cyclical and can be curtailed or deferred on short notice. A variety of factors affect the amount of capital spending, and, therefore, our sales and profits, including:

- competing technologies;
- general economic conditions;
- timing and adoption of global rollout of new technologies, including 4G/LTE;
- customer specific financial or stock market conditions;
- availability and cost of capital;
- governmental regulation;
- demands for network services;
- competitive pressures, including pricing pressures;
- acceptance of new services offered by our customers;
- impact of industry consolidation; and

real or perceived trends or uncertainties in these factors.

Several of our customers or end users of our products have accumulated significant levels of debt. These high debt levels, coupled with uncertainty in the capital markets, may impact their access to capital in the future. Even if the financial health of our customers or end users of our products remains intact, these customers or end users of our products may not purchase new equipment at levels we have seen in the past or expect in the future. If our product portfolio and product development plans do not position us well to capture an increased portion of the capital spending of customers or end users of our products in the markets on which we focus, our revenue may decline.

As a result of these issues, we may not be able to maintain or increase our revenue in the future, and our business, financial condition, results of operations and cash flows could be materially and adversely affected.

A substantial portion of our business is derived from a limited number of key customers or distributors.

We derived 22% of our 2014 consolidated net sales from our top three direct customers or distributors. Our largest distributor, Anixter, accounted for 11% of our 2014 consolidated net sales. The concentration of our net sales among these and other key customers or distributors subjects us to a variety of risks that could have a material adverse impact on our net sales and profitability, including, without limitation:

lower sales resulting from the loss of one or more of our key customers or distributors;

- renegotiations of agreements with key customers or distributors resulting in materially less favorable terms;
- financial difficulties experienced by one or more of our key customers, distributors or our distributors end customers, resulting in reduced purchases of our products and/or uncollectible accounts receivable balances;
- reductions in inventory levels held by distributors and OEMs which may be unrelated to purchasing trends by the ultimate customer;
- consolidations in the wireless or cable television industries resulting in delays in purchasing decisions or reduced purchases by the merged businesses;
- new or proposed laws or regulations affecting the telecommunications, wireless or cable television industries resulting in reduced capital spending;
- increases in the cost of borrowing or capital and/or reductions in the amount of debt or equity capital available to the telecommunications, wireless or cable television industries resulting in reduced capital spending; and
- changes in the technology deployed by customers resulting in lower sales of our products.

Additionally, the risks above are further increased as a result of our indirect sales to end users of our products, including those who may also be direct customers. In addition, we generally have no minimum purchase commitments from any of our distributors, system integrators, value-added resellers, OEMs, or other customers, and our contracts with these parties do not prohibit them from purchasing or offering products or services that compete with ours. Although we maintain long-term relationships with these parties and have not historically lost key customers, we have experienced variability in the level of purchases by our key customers and end users of our products, and any significant reduction in sales to these customers and end users of our products, including as a result of their inability or unwillingness to continue purchasing our products, or their failure to properly manage their businesses with respect to the purchase of and payment for our products, could materially and adversely affect our business, results of operations, financial condition and cash flows.

Our future success depends on our ability to anticipate and to adapt to technological changes and develop, implement and market product innovations.

Many of our markets are characterized by advances in information processing and communications capabilities that require increased transmission speeds and greater bandwidth. These advances require ongoing improvements in the capabilities of our products.

However, we may not be successful in our ongoing improvement efforts if, among other things, our products:

- are not cost effective;

- are not brought to market in a timely manner;
- are not in accordance with evolving industry standards;
- fail to achieve market acceptance or meet customer requirements; or
- are ahead of the needs of their markets.

There are various competitive wireless technologies that could be a potential substitute for some of the communications products we sell. Fiber optic technology presents a potential substitute for some of the broadband communications cable products we sell. A significant decrease in the cost of deploying fiber optic systems could make these systems superior on a price/performance basis to copper or aluminum systems and have a material adverse effect on our business.

In order to successfully develop and market certain of our planned products, we may be required to enter into technology development or licensing agreements with third parties. We cannot provide assurances that we will be able to timely enter into any necessary technology development or licensing agreements on reasonable terms, or at all.

The failure to successfully introduce new or enhanced products on a timely and cost-competitive basis or the inability to continue to market existing products on a cost-competitive basis could have a material adverse effect on our results of operations and financial condition. In addition, sales of new products may replace sales of some of our existing products, mitigating the benefits of new product introductions and possibly resulting in excess levels of inventory.

Our revenues are dependent on the commercial deployment of technologies based on time division multiple access, or TDMA, code division multiple access, or CDMA, and orthogonal frequency-division multiple access, or OFDMA, among others, and upgrades of 2G, 3G and 4G wireless communications equipment, products and services based on these technologies.

We develop, patent and commercialize technology and products based on TDMA, CDMA and OFDMA, among others. Our revenues are dependent upon the commercial deployment of these technologies and products and upgrades of 2G, 3G and 4G wireless communications equipment, products and services based on these technologies. For example, several wireless providers in the United States have announced plans to shut down legacy TDMA and CDMA networks. While we believe the deployment and adoption of LTE technology will help reduce the effect of this industry trend, our business may be harmed, and our investments in these technologies may not provide us an adequate return if:

- LTE, an OFDMA-based wireless standard, is not widely deployed or commercial deployment is delayed;
- wireless operators delay moving 2G customers to 3G and 4G devices;
- wireless operators delay 3G and/or 4G deployments, expansions or upgrades;
- government regulators delay the reallocation of spectrum to allow wireless operators to upgrade to 3G and 4G, which will restrict the expansion of 3G and 4G wireless connectivity, primarily outside of major population areas;
- wireless operators are unable to drive improvements in 3G and 4G network performance and/or capacity;
- wireless operators and other industries using these technologies deploy other technologies; or
- wireless operators choose to spend their capital on their core network or limit their expenditures on radio access network (RAN).

Our business is dependent on our ability to increase our share of components sold and to continue to drive the adoption of our products and services into 3G and 4G wireless networks. We are also dependent on the success of our customers, licensees and TDMA-, CDMA- and OFDMA-based wireless operators and other industries using our technologies, as well as the timing of their deployment of new services. They may incur lower gross margins on products or services based on these technologies than on products using alternative technologies as a result of greater competition or other factors. If commercial deployment of these technologies, upgrade of 2G subscribers to 3G devices and upgrades to 3G or 4G wireless communications equipment, products and services based on these technologies do not continue or are delayed, our revenues could be negatively impacted, and our business could suffer.

We may not fully realize anticipated benefits from past or future acquisitions or equity investments.

We anticipate that a portion of any future growth of our business might be accomplished by acquiring existing businesses, products or technologies. The success of any acquisition will depend upon, among other things, our ability to integrate acquired personnel, operations, products and technologies into our organization effectively, to retain and motivate key personnel of acquired businesses and to retain their customers. In addition, we might not be able to identify suitable acquisition opportunities or obtain any necessary financing on acceptable terms. We might also spend time and money investigating and negotiating with potential acquisition or investment targets, but not complete the transaction.

Although we expect to realize strategic, operational and financial benefits as a result of our past or future acquisitions and equity investments, we cannot predict whether and to what extent such benefits will be achieved. There are significant challenges to integrating an acquired operation into our business, including, but not limited to:

- successfully managing the operations, manufacturing facilities and technology;
- integrating the sales organizations and maintaining and increasing the customer base;
- retaining key employees, suppliers and distributors;
- integrating management information, inventory, accounting and research and development activities; and
- addressing operating losses related to individual facilities or product lines.

Any future acquisition could involve other risks, including the assumption of additional liabilities and expenses, issuances of debt, transaction costs and diversion of management s attention from other business concerns, and such acquisition may be dilutive to our financial results. See Risk Factors Risks Related to the Acquisition .

We face competitive pressures with respect to all of our major products.

In each of our major product groups, we compete with a substantial number of foreign and domestic companies, some of which have greater resources (financial or otherwise) or lower operating costs than we have. Competitors actions, such as price reductions or introduction of new innovative products, and the use of exclusively price driven Internet auctions by customers may have a material adverse impact on our net sales and profitability. In addition, the rapid technological changes occurring in the communications industry could lead to the entry of new competitors. We cannot assure you that we will continue to compete successfully with our existing competitors or with new competitors.

Many of our competitors are substantially larger than we are, and have greater financial, technical, marketing and other resources than we have. Many of these large enterprises are in a better position to withstand any significant reduction in capital spending by customers in our markets. They often have broader product lines and market focus, and may not be as susceptible to downturns in a single market. These competitors may also be able to bundle their products together to meet the needs of a particular customer, and may be capable of delivering more complete solutions than we are able to provide. To the extent large enterprises that currently do not compete directly with us choose to enter our markets by acquisition or otherwise, competition would likely intensify.

Further, some of our competitors that have greater financial resources have offered, and in the future may offer, their products at lower prices than we offer for our competing products or on more attractive financing or payment terms, which has in the past caused, and may in the future cause, us to lose sales opportunities and the resulting revenue or to reduce our prices in response to that competition. Reductions in prices for any of our products could have a material adverse effect on our revenue and operating margins. In addition, many of our competitors have been in operation longer than we have and, therefore, have more long-standing and established relationships with domestic and foreign customers, making it difficult for us to sell to those customers.

If any of our competitors products or technologies were to become the industry standard, our business would be seriously harmed. If our competitors are successful in bringing their products to market earlier than we can, or if their products are more technologically capable than ours, our revenue could be materially and adversely affected. In addition, certain companies that have not had a large presence in the broadband communications equipment market have begun to expand their presence in this market through mergers and acquisitions. The continued consolidation of our competitors could have a significant negative impact on our business. Further, our competitors may bundle their products or incorporate functionality into existing products in a manner that discourages users from purchasing our products or which may require us to lower our selling prices, resulting in lower revenue and decreased gross margins.

If we are unable to compete at the same level as we have in the past, in any of our markets, or are forced to reduce the prices of our products in order to continue to be competitive, our operating results, financial condition and cash flows would be materially and adversely affected.

We depend on channel partners to sell our products in certain markets and regions and are subject to risks associated with these arrangements.

We utilize distributors, system integrators and value-added resellers (collectively, channel partners) to sell our products to certain end customers and in certain geographic regions to improve our access to these customers and regions and to lower our overall cost of post-sales support. For the year ended December 31, 2014, sales to our four largest channel partners represented 19% of our net sales. Our sales through channel partners are subject to a number of risks, including:

- the ability of our selected channel partners to effectively sell our products to end customers;
- our ability to continue channel partner arrangements into the future because most are for a limited term and subject to mutual agreement to extend;
- a reduction in gross margins realized on sale of our products; and
- a diminution of contact with end customers which, over time, could adversely impact our ability to develop new products that meet customers evolving requirements.

In the past, we have seen some channel partners acquired and consolidated. If there were further consolidation of our channel partners, this could affect our relationships with these channel partners. It could also result in consolidation of channel partner inventory, which could temporarily depress our revenue. In addition, changes in the inventory levels of our products held by our channel partners can result in significant variability in our revenues. The financial failure of a channel partner could result in our inability to collect accounts receivable in full. A global economic downturn could cause financial difficulties (including bankruptcy) for our channel partners and customers, which would adversely affect our results of operations.

We generally have no minimum purchase commitments from any of our channel partners or OEM customers, and our contracts with these parties do not prohibit them from purchasing or offering products or services that compete with ours. Our competitors may provide incentives to any of our channel partners or OEM customers to favor their products or, in effect, to prevent or reduce sales of our products. Any of our channel partners or OEM customers may independently choose not to purchase or offer our products. Many of our channel partners are small and may have relatively unsophisticated processes and limited financial resources to conduct their business. Any significant disruption of our sales to these customers, including as a result of the inability or unwillingness of these customers to continue purchasing our products, or their failure to properly manage their businesses with respect to the purchase of and payment for our products, could materially and adversely affect our business, results of operations, financial condition and cash flows. In addition, our failure to continue to establish or maintain successful relationships with channel partners or OEM customers could likewise materially and adversely affect our business, results of operations and financial condition.

If contract manufacturers that we rely on 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, including labor disturbances or geopolitical risks, and if alternative suppliers cannot be identified, we may encounter difficulty in meeting customer demands. Any such difficulties could have an adverse effect on our business, financial results and results of operations, which could be material.

If our integrated global manufacturing operations suffer production or shipping delays, we may experience difficulty in meeting customer demands.

We internally produce, both domestically and internationally, a portion of certain components used in our finished products. Disruption of our ability to produce at or distribute from these facilities due to failure of our manufacturing infrastructure, information technology outage, fire, electrical outage, natural disaster, acts of terrorism, shipping interruptions or some other catastrophic event could have a material adverse effect on our ability to manufacture products at our other manufacturing facilities in a cost-effective and timely manner, which could have a material adverse effect on our business, financial condition and results of operations.

If we encounter capacity constraints with respect to our internal facilities and/or existing or new contract manufacturers, it could have an adverse impact on our business.

If we do not have sufficient production capacity, either through our internal facilities and/or through independent contract manufacturers, to meet customer demand for our products, we may experience lost sales opportunities and customer relations problems, which could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on effective information management systems.

We rely on our enterprise resource planning systems to support such critical business operations as processing sales orders and invoicing; manufacturing; shipping; inventory control; purchasing and supply chain management; human resources; and financial reporting. If we are unable to successfully implement major systems initiatives and maintain critical information systems, we could encounter difficulties that could have a material adverse impact on our business, internal controls over financial reporting, or our ability to timely and accurately report our financial results.

Cyber-security incidents, including data security breaches or computer viruses, could harm our business by exposing us to various liabilities, disrupting our delivery of products and services and damaging our reputation.

We rely extensively on information technology systems to operate our business. We receive, process, store and transmit, often electronically, the confidential data of the Company and our customers, vendors, employees and others. Despite implemented security measures, our facilities, systems and procedures, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, software viruses, misplaced or lost data, programming and/or human errors or other similar events. In particular, unauthorized access to our computer systems or stored data could result in the theft or improper disclosure of confidential or sensitive information, the deletion or modification of records or interruptions in our operations. Any such events, including those involving the misappropriation, loss or other unauthorized disclosure or use of confidential or sensitive information of the Company or our customers, vendors, employees or others, whether by us or a third party, could (i) subject us to civil and criminal penalties, (ii) expose us to liabilities to our customers, employees, vendors, third parties or governmental authorities, (iii) disrupt our delivery of products and services, or (iv) have a negative impact on our reputation. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

If our products, including material purchased from our suppliers, experience quality or performance issues, our business may suffer.

Our business depends on delivering products of consistently high quality. To this end, our products are tested for quality both by us and our customers. Nevertheless, many of our products are highly complex and testing procedures used by us and our customers are limited to evaluating our products under likely and foreseeable failure scenarios. For various reasons (including, among others, the occurrence of performance problems unforeseeable in testing), our products (including components and raw materials purchased from our suppliers and completed goods purchased for resale) may fail to perform as expected. Performance issues could result from faulty design or problems in manufacturing. We have experienced such performance issues in the past and remain exposed to such performance issues. In some cases, recall of some or all affected products, product redesigns or additional capital expenditures may be required to correct a defect. In addition, we generally offer warranties on most products, the terms and conditions of which depend upon the product subject to the warranty. In some cases, we indemnify our customers against damages or losses that might arise from certain claims relating to our products. Future claims may have a material adverse effect on our business, financial condition and results of operations. Any significant or systemic product failure could also result in lost future sales of the affected product and other products, as well as reputational damage.

Our significant international operations expose us to economic, political and other risks.

We have significant international sales, manufacturing and distribution operations. We have major international manufacturing and/or distribution facilities in, among others, Australia, China, the Czech Republic, Germany, India, Ireland, Mexico, Singapore and the United Kingdom. For the years ended December 31, 2014, 2013 and 2012, international sales represented approximately 45%, 45% and 47%, respectively, of our consolidated net sales. In general, our international sales have lower margins than our domestic sales. To the extent international sales represent a greater percentage of our revenue, our overall margin may decline.

Our international sales, manufacturing and distribution operations are subject to the risks inherent in operating abroad, including, but not limited to, risks with respect to currency exchange rates; economic and political destabilization; restrictive actions by foreign governments; wage inflation; nationalizations; the laws and policies of the United States affecting trade, exports, imports, anti-bribery, foreign investment and loans; foreign tax laws, including the ability to recover amounts paid as value-added taxes; potential restrictions on the repatriation of cash; reduced protection of intellectual property; longer customer payment cycles; compliance with local laws and regulations; armed conflict; terrorism; shipping interruptions; and major health concerns (such as infectious diseases).

Risks related to foreign currency rates can impact our results of operations, cash flows and financial position. We manage these risks through regular operating and financing activities and periodically use derivative financial instruments such as foreign exchange forward and option contracts. There can be no assurance that our risk management strategies will be effective or that the counterparties to our derivative contracts will be able to perform. In addition, foreign currency rates in many of the countries in which we operate have at times been extremely volatile and unpredictable. We may choose not to hedge or determine that we are unable to effectively hedge the risks associated with this volatility. In such cases, we may experience declines in revenue and adverse impacts on earnings and such changes could be material.

Our international operations require us to comply with anti-corruption laws and regulations of the U.S. government and various international jurisdictions.

Doing business on a worldwide basis requires us to comply with the laws and regulations of the U.S. government and various international jurisdictions, and our failure to comply with these rules and regulations may expose us to liabilities. These laws and regulations may apply to companies, individual directors, officers, employees and agents, and may restrict our operations, trade practices, investment decisions and partnering activities. In

particular, our international operations are subject to U.S. and foreign anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act (FCPA). The FCPA prohibits U.S. companies and their officers, directors, employees and agents acting on their behalf from improperly offering, promising, authorizing or providing anything of value to foreign officials for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to keep books, records and accounts that accurately and fairly reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. As part of our business, we deal with state-owned business enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA. We are also subject to the U.K. Anti-Bribery Act, which prohibits both domestic and international bribery, as well as bribery across both public and private sectors. In addition, some of the international locations in which we operate lack a developed legal system and have elevated levels of corruption. As a result of the above activities, we are exposed to the risk of violating anti-corruption laws. Violations of these legal requirements are punishable by criminal fines and imprisonment, civil penalties, disgorgement of profits, injunctions, debarment from government contracts as well as other remedial measures. We have established policies and procedures designed to assist us and our personnel in complying with applicable U.S. and international laws and regulations. However, our employees, subcontractors and agents could take actions that violate these requirements, which could adversely affect our reputation, business, financial condition and results of operations and such effects could be material.

We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.

Certain of our products are subject to export controls and may be exported only with the required export license or through an export license exception. If we were to fail to comply with export licensing, customs regulations, economic sanctions and other laws, we could be subject to substantial civil and criminal penalties, including fines for us and incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, if our distributors fail to obtain appropriate import, export or re-export licenses or permits, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary export license for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, export control laws and economic sanctions prohibit the shipment of certain products to embargoed or sanctioned countries, governments and persons. While we train our employees to comply with these regulations, we cannot assure that a violation will not occur, whether knowingly or inadvertently. Any such shipment could have negative consequences including government investigations, penalties, fines, civil and criminal sanctions, and reputational harm. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in our decreased ability to export or sell our products to existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products could adversely affect our business, financial condition and results of operations and such effects could be material.

We may sell one or more of our product lines, as a result of our evaluation of our products and markets, and any such divestiture could adversely affect our expenses, revenues, results of operation, cash flows and financial position.

We periodically evaluate our various product lines and may, as a result, consider the divestiture of one or more of those product lines. Any such divestiture could adversely affect our expenses, revenues, results of operations, cash flows and financial position.

Divestitures of product lines have inherent risks, including the expense of selling the product line, the possibility that any anticipated sale will not occur, possible delays in closing any sale, the risk of lower-than-expected proceeds from the sale of the divested business, unexpected costs associated with the separation of the business to be sold from our information technology and other operating systems, and potential post-closing claims for indemnification. Expected cost savings, which are offset by revenue losses from divested businesses, may also be difficult to achieve or maximize due to a fixed cost structure, and we may experience varying success in reducing fixed costs or transferring liabilities previously associated with the divested business.

Difficulties may be encountered in the realignment of manufacturing capacity and capabilities among our global manufacturing facilities that could adversely affect our ability to meet customer demands for our products.

We periodically realign manufacturing capacity among our global facilities in order to reduce costs by improving manufacturing efficiency and to strengthen our long-term competitive position. The implementation of these initiatives may include significant shifts of production capacity among facilities.

There are significant risks inherent in the implementation of these initiatives, including, but not limited to, failing to ensure that: there is adequate inventory on hand or production capacity to meet customer demand while capacity is being shifted among facilities; there is no decrease in product quality as a result of shifting capacity; adequate raw material and other service providers are available to meet the needs at the new production locations; equipment can be successfully removed, transported and re-installed; and adequate supervisory, production and support personnel are available to accommodate the shifted production.

In the event that manufacturing realignment initiatives are not successfully implemented, we could experience lost future sales and increased operating costs as well as customer relations problems, which could have a material adverse effect on our business, financial condition and results of operations.

We may need to undertake additional restructuring actions in the future.

We have previously recognized restructuring charges in response to slowdowns in demand for our products and in conjunction with implementation of initiatives to reduce costs and improve efficiency of our operations. Recent actions have included the sale of certain assets of our BiMetals® business and the closure of manufacturing facilities in Statesville, North Carolina; Joliet, Illinois; and Guangzhou, China. Much of the production capacity from these facilities was shifted to other existing facilities or contract manufacturers. Additional restructuring actions were initiated to realign and lower our cost structure primarily through workforce reductions at various U.S. and international facilities. As a result of changes in business conditions and other developments, we may need to initiate additional restructuring actions that could result in workforce reductions and restructuring charges, which could be material.

We may need to recognize additional impairment charges related to goodwill, identified intangible assets and fixed assets.

We have substantial balances of goodwill and identified intangible assets. We are required to test goodwill for possible impairment on the same date each year and on an interim basis if there are indicators of a possible impairment. We are also required to evaluate amortizable intangible assets and fixed assets for impairment if there are indicators of a possible impairment.

There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets and fixed assets. If, as a result of a general economic slowdown, deterioration in one or more of the markets in which we operate or in our financial performance and/or future outlook, the estimated fair value of our long-lived assets decreases, we may determine that one or more of our long-lived assets is impaired. An impairment charge would be determined based on the estimated fair value of the assets and any such impairment charge could have a material adverse effect on our business, financial condition and results of operations.

We have obligations under our defined benefit employee benefit plans and may be required to make plan contributions in excess of current estimates.

At December 31, 2014, the net liability for pension and other postretirement benefits was $29.8 million (benefit obligation of $339.0 million and plan assets of $309.2 million). See Note 10 to Consolidated Financial

Statements included elsewhere in this Annual Report on Form 10-K. Significant declines in the assets and/or increases in the liabilities related to these obligations as a result of changes in actuarial estimates, asset performance, interest rates or benefit changes, among others, could have a material adverse impact on our financial position and/or results of operations.

We continue to fund a material portion of our underfunded pension obligations in the U.S. under the terms of an agreement with the Pension Benefit Guaranty Corporation (PBGC), that we entered into in connection with the 2011 closure of our Omaha production facility. The terms of the agreement with the PBGC require funding through 2015. We have similar exposures with respect to certain pension plans outside the U.S. Foreign plans represented 46% and 48% of our pension benefit obligation and pension plans assets, respectively, as of December 31, 2014. The amounts and timing of the remaining contributions we expect to make to our defined benefit plans reflect a number of actuarial and other estimates and assumptions with respect to our expected plan funding obligations. The actual amounts and timing of these contributions will depend upon a number of factors and the actual amounts and timing of our future plan funding contributions may differ materially from those presented in this Annual Report on Form 10-K. If we elect to terminate one or more of these plans and settle the obligation through the purchase of one or more annuities, we could incur a charge and/or make additional contributions and such amounts could be material.

Our financial condition may be adversely affected to the extent that we are required to make contributions to any of our defined benefit plans in excess of the amounts assumed in our current projections.

We may incur costs and may not be successful in protecting our intellectual property and in defending claims that we are infringing the intellectual property of others.

We may encounter difficulties and significant costs in protecting our intellectual property rights or obtaining rights to additional intellectual property to permit us to continue or expand our business. Other companies, including some of our largest competitors, hold intellectual property rights in our industry and the intellectual property rights of others could inhibit our ability to introduce new products unless we secure necessary licenses on commercially reasonable terms.

In addition, we have been required and may be required in the future to initiate litigation in order to enforce patents issued or licensed to us or to determine the scope and/or validity of a third party s patent or other proprietary rights. We also have been and may in the future be subject to lawsuits by third parties seeking to enforce their own intellectual property rights, including against certain of the intellectual property that we have acquired through our strategic acquisitions. Any such litigation, regardless of outcome, could subject us to significant liabilities or require us to cease using proprietary third party technology and, consequently, could have a material adverse effect on our results of operations and financial condition.

In certain markets, we may be required to address counterfeit versions of our products. We may incur significant costs in pursuing the originators of such counterfeit products and, if we are unsuccessful in eliminating them from the market, we may experience a reduction in the value of our products and/or a reduction in our net sales.

Changes to the regulatory environment in which we or our customers operate may negatively impact our business.

The telecommunications and cable television industries are subject to significant and changing federal and state regulation, both in the U.S. and other countries, including regulations regarding the Open Internet or net neutrality . Changes to the way in which internet service providers are regulated could adversely impact our customers decisions regarding capital spending, which could decrease demand for our products. Manufacturers of telecommunications equipment are subject to various environmental regulations relating to electrical equipment generally, including, without limitation, The Restriction of Hazardous Substances Directive 2002/95/EC (RoHS), in the European Union regarding the use of certain hazardous materials used in the

manufacturing of various types of electronic and electrical equipment, regulations under the Waste Electrical and Electronic Equipment Directive 2002/96/EC (WEEE), regarding the collection, recycling and recovery for electrical goods and regulations under the European Community Regulation EC 1907/2006 regulating chemicals and their safe use. Compliance with these environmental regulations could increase the cost of manufacturing our products. If we were unable to comply with these regulations we may not be able to sell noncompliant products in certain markets.

Regulatory changes of more general applicability could also have a material adverse effect on our business. For example, changes to the U.S. corporate tax system have been proposed that would lead to the taxation of foreign earnings at the time they are earned rather than when they are repatriated to the U.S. Implementation of such changes would have an adverse effect on our net income and would require us to make earlier cash tax payments which would have a negative effect on our cash flows.

Compliance with current and future environmental laws, potential environmental liabilities and the impact of climate change may have a material adverse impact on our business, financial condition and results of operations.

We are subject to various federal, state, local and foreign environmental laws and regulations governing, among other things, discharges to air and water, management of regulated materials, handling and disposal of solid and hazardous waste, and investigation and remediation of contaminated sites. Because of the nature of our business, we have incurred and will continue to incur costs relating to compliance with or liability under these environmental laws and regulations. In addition, new laws and regulations, including those regulating the types of substances allowable in certain of our products, new or different interpretations of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new remediation or discharge requirements, could require us to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on our financial condition and results of operations. For example, the European Union has issued RoHS and WEEE regulating the manufacture, use and disposal of electrical goods. If we are unable to comply with these and similar laws in other jurisdictions, or to sufficiently increase prices or otherwise reduce costs to offset the increased cost of compliance, it could have a material adverse effect on our business, financial condition and results of operations.

The physical effect of future climate change (such as increases in severe weather) may have an impact on our suppliers, customers, employees and facilities which we are unable to quantify, but which may be material.

Efforts to regulate emissions of GHGs, such as carbon dioxide are underway in the U.S. and other countries which could increase the cost of raw materials, production processes and transportation of our products. If we are unable to comply with such regulations, sufficiently increase prices or otherwise reduce costs to offset the increased costs of compliance, GHG regulation could have a material adverse effect on our results of operations.

Certain environmental laws impose strict and in some circumstances joint and several liability (that could result in an entity paying more than its fair share) on current or former owners or operators of a contaminated property, as well as companies that generated, disposed of or arranged for the disposal of hazardous substances at a contaminated property, for the costs of investigation and remediation of the contaminated property. Our present and past facilities have been in operation for many years and over that time, in the course of those operations, hazardous substances and wastes have been used, generated and disposed of at such facilities and investigation and remediation projects are underway at a few of these sites. There can be no assurance that the contractual indemnifications we have received from prior owners and operators of certain of these facilities will continue to be honored. In addition, we have disposed of waste products either directly or through third parties at numerous disposal sites, and from time to time we have been and may be held responsible for investigation and clean-up costs at these sites where those owners and operators have been unable to remain in business. Also, there can be no guarantee that new environmental requirements or changes in their enforcement or the discovery of previously unknown conditions will not cause us to incur additional costs for environmental matters which could be material.

Our dependence on commodities subjects us to cost volatility and potential availability constraints which could have a material adverse effect on our profitability.

Our profitability may be materially affected by changes in the market price and availability of certain raw materials, most of which are linked to the commodity markets. The principal raw materials we purchase are rods, tapes, sheets, wires, tubes and hardware made of copper, steel, aluminum or brass; plastics and other polymers; and optical fiber. Fabricated copper, steel and aluminum are used in the production of coaxial and twisted pair cables and polymers are used to insulate and protect cables. Prices for copper, steel, aluminum, fluoropolymers and certain other polymers, derived from oil and natural gas, have experienced significant volatility as a result of changes in the levels of global demand, supply disruptions and other factors. As a result, we have adjusted our prices for certain products and may have to adjust prices again in the future. Delays in implementing price increases or a failure to achieve market acceptance of price increases has in the past and could in the future have a material adverse impact on our results of operations. In an environment of falling commodities prices, we may be unable to sell higher-cost inventory before implementing price decreases, which could have a material adverse impact on our business, financial condition and results of operations.

We are dependent on a limited number of key suppliers for certain raw materials and components.

For certain of our raw material and component purchases, including certain polymers, copper rod, copper and aluminum tapes, fine aluminum wire, steel wire, optical fiber, circuit boards and other electronic components, we are dependent on a limited number of key suppliers.

Our key suppliers have in the past and could in the future experience production, operational or financial difficulties, or there may be global shortages of the raw materials or components we use, and our inability to find sources of supply on reasonable terms could have a material adverse effect on our ability to manufacture products in a cost-effective way which could have a material adverse effect on our gross margin and results of operations.

We may not be able to attract and retain key employees, including our sales force.

Our business depends upon our continued ability to hire and retain key employees, including our sales force, at our operations around the world. Competition for skilled personnel and highly qualified managers in the telecommunications industry is intense. Difficulties in obtaining or retaining employees with the necessary management, technical and financial skills needed to achieve our business objectives may have a material adverse effect on our business, financial condition and results of operations.

Allegations of health risks from wireless equipment may negatively affect our results of operations.

Allegations of health risks from the electromagnetic fields generated by base stations and mobile handsets, and potential lawsuits or negative publicity relating to them, regardless of merit, could have a material adverse effect on our operations by leading consumers to reduce their use of mobile phones, reducing demand for certain of our products, or by causing us to allocate resources to address these issues.

A significant uninsured loss or a loss in excess of our insurance coverage could have a material adverse effect on our results of operations and financial condition.

We maintain insurance covering our normal business operations, including property and casualty protection that we believe is adequate. We do not generally carry insurance covering wars, acts of terrorism, earthquakes or other similar catastrophic events. We may not be able to obtain adequate insurance coverage on financially reasonable terms in the future. A significant uninsured loss or a loss in excess of our insurance coverage could have a material adverse effect on our results of operations and financial condition.

In addition, the financial health of our insurers may deteriorate and our insurers may not be able to respond if we should have claims reaching their policies.

Natural or man-made disasters or other disruptions could unfavorably affect our operations and financial performance.

Natural or man-made disasters could result in physical damage to one or more of our properties, the temporary lack of an adequate work force, temporary or long-term disruption in the supply of products from suppliers and delays in the delivery of products to our customers. Damage to our properties, the lack of an adequate workforce, disruption in the supply of products from suppliers, and delays in the delivery of our products to our customers could have a material adverse effect on our business, financial condition and results of operations.

We may experience significant variability in our quarterly or annual effective income tax rate.

We have a large and complex international tax profile and a significant level of net operating loss and other carryforwards in various jurisdictions. Variability in the mix and profitability of domestic and international activities, repatriation of earnings from foreign affiliates, changes in tax laws, identification and resolution of various tax uncertainties and the inability to realize net operating loss and other carryforwards included in deferred tax assets, among other matters, may significantly impact our effective income tax rate in the future. A significant increase in our quarterly or annual effective income tax rate could have a material adverse impact on our results of operations.

Labor unrest could have a material adverse effect on our business, results of operations and financial condition.

While none of our U.S. employees are represented by unions, substantially all of our international employees are members of unions or subject to workers councils or similar statutory arrangements. In addition, many of our direct and indirect customers and vendors have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or vendors, contract manufacturers or their other suppliers could result in slowdowns. Organizations responsible for shipping our products may also be impacted by strikes. Any interruption in the delivery of our products could harm our reputation or reduce demand for our products and could have a material adverse effect on us.

In general, we consider our labor relations with all of our employees to be good. However, in the future we may be subject to labor unrest with respect to our employees or those of our vendors or customers. Occurrences of strikes, work stoppages or lock-outs at our facilities or at the facilities of our vendors or customers, could have a material adverse effect on our business, financial condition and results of operations.

Our future research and development projects may not be successful.

The successful development of telecommunications products can be affected by many factors. Products that appear to be promising at their early phases of research and development may fail to be commercialized for various reasons, including the failure to obtain the necessary regulatory approvals. There is no assurance that any of our future research and development projects will be successful or completed within the anticipated time frame or budget or that we will receive the necessary approvals from relevant authorities for the production of these newly developed products, or that these newly developed products will achieve commercial success. Even if such products can be successfully commercialized, they may not achieve the level of market acceptance that we expect.

Regulations related to conflict minerals could adversely impact our business.

The Dodd-Frank Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the Democratic Republic of Congo (the DRC), and adjoining countries. As a result, in August 2012 the SEC adopted annual disclosure and reporting requirements for those companies who use conflict minerals mined from the DRC and adjoining countries in their products. These new requirements will require continued due diligence efforts in fiscal 2015, with our initial disclosure

requirements beginning in May 2016. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers offering conflict free conflict minerals, we cannot be sure that we will be able to obtain necessary materials produced from conflict free minerals from such suppliers in sufficient quantities or at competitive prices. We will likely be asked to make similar certifications as to the conflict free status of the minerals we use to our customers. If we are unable or fail to make the requisite certifications, our customers may terminate their relationship with us. Also, we may face adverse effects to our reputation if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products through the procedures we may implement.

Seasonality may cause fluctuations in our revenue and operating results.

Historically, our operations have been seasonal, with a greater portion of total net revenue and operating income occurring in the second and third fiscal quarters. As a result of this seasonality, any factors negatively affecting us during the second and third fiscal quarters of any year, including the variability of shipments under large contracts, customers seasonal installation considerations and variations in product mix and in profitability of individual orders, could have a material adverse effect on our financial condition and results of operations for the entire year. See Backlog and Seasonality included in Part I, Item 1 of this Annual Report on Form 10-K. Our quarterly results of operations also may fluctuate based upon other factors, including general economic conditions.

Our substantial indebtedness could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations with respect to our indebtedness.

As of December 31, 2014, we had approximately $2.7 billion of indebtedness on a consolidated basis, including $650.0 million of 5.0% Senior Notes due 2021 (the 2021 Notes) and $650.0 million of 5.5% Senior Notes due 2024 (the 2024 Notes), $550.0 million of 6.625%/7.375% Senior PIK Toggle Notes due 2020 (senior PIK toggle notes) and $864.1 million of senior secured term loans. We had no outstanding borrowings under our revolving credit facility and approximately $321.7 million in borrowing capacity available under our revolving credit facility, reflecting a borrowing base of $345.3 million and $23.6 million of outstanding letters of credit. Our ability to borrow under our revolving credit facility depends, in part, on inventory, accounts receivable and other assets that fluctuate from time to time and may further depend on lenders discretionary ability to impose reserves and availability blocks and to recharacterize assets that might otherwise incrementally decrease borrowing availability.

Our substantial indebtedness could have important consequences. For example, it could:

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

- require us to dedicate a substantial portion of our annual cash flow for the next several years to the payment of interest on our indebtedness;

- expose us to the risk of increased interest rates as, over the term of our debt, the interest cost on a significant portion of our indebtedness is subject to changes in interest rates;

place us at a competitive disadvantage compared to certain of our competitors who have less debt;

hinder our ability to adjust rapidly to changing market conditions;

limit our ability to secure adequate bank financing in the future with reasonable terms and conditions; and

increase our vulnerability to and limit our flexibility in planning for, or reacting to, a potential downturn in general economic conditions or in one or more of our businesses.

In addition, the indentures governing the senior PIK toggle notes, the 2021 Notes and the 2024 Notes (together, the Notes Indentures) and the agreements governing our senior secured credit facilities contain affirmative and negative covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debts. See Risk Factors Risks Related to the Acquisition .

Despite current indebtedness levels and restrictive covenants, we and our subsidiaries may incur additional indebtedness or we may pay dividends in the future. This could further exacerbate the risks associated with our substantial financial leverage.

We and our subsidiaries may incur significant additional indebtedness in the future under the agreements governing our indebtedness. Although the Notes Indentures and the credit agreements governing our senior secured credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of thresholds, qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. Additionally, these restrictions permit us to incur obligations that, although preferential to our common stock in terms of payment, do not constitute indebtedness. As of December 31, 2014, we had approximately $321.7 million of additional borrowing capacity under our revolving credit facility.

In addition, if new debt is added to our and/or our subsidiaries debt levels, the related risks that we now face as a result of our leverage would intensify.

To service our indebtedness, we will require a significant amount of cash and our ability to generate cash depends on many factors beyond our control.

Our operations are conducted through our subsidiaries and our ability to make cash payments on our indebtedness and to fund planned capital expenditures will depend on the earnings and the distribution of funds from our subsidiaries. However, none of our subsidiaries is obligated to make funds available to us for payment on our indebtedness. Further, the terms of the instruments governing our indebtedness significantly restrict certain of our subsidiaries from paying dividends and otherwise transferring assets to us. Our ability to make cash payments on and to refinance our indebtedness, to fund planned capital expenditures and to meet other cash requirements will depend on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to financial, business, legislative, regulatory and other factors beyond our control. We might not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available under our senior secured credit facilities in an amount sufficient to enable us to pay our indebtedness, or to fund our other liquidity needs. In such circumstances, we may need to refinance all or a portion of our indebtedness, including the senior PIK toggle notes, the 2021 Notes and the 2024 Notes, on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances. Such actions, if necessary, may not be effected on commercially reasonable terms or at all. Our indebtedness may restrict our ability to sell assets and limit the use of the proceeds from such sales.

If we are unable to generate sufficient cash flow or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our revolving credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our senior secured credit facilities to avoid being in default. If we breach our covenants under our senior secured credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our senior secured credit facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

CommScope Holding Company, Inc. is a holding company with no operations of its own, and it depends on its subsidiaries for cash to fund all of its operations and expenses, including to make future dividend payments, if any.

Our operations are conducted almost entirely through our subsidiaries and our ability to generate cash to meet our debt service obligations or to make future dividend payments, if any, is highly dependent on the earnings and the receipt of funds from our subsidiaries via dividends or intercompany loans. We do not currently expect to declare or pay dividends on our common stock for the foreseeable future; however, to the extent that we determine in the future to pay dividends on our common stock, the Notes Indentures and the credit agreements governing our senior secured credit facilities, significantly restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

We are controlled by Carlyle, whose interests in our business may be different than yours.

As of December 31, 2014, Carlyle owned approximately 54% of our common stock and is able to control our affairs in all cases. Pursuant to an amended and restated stockholders agreement, Carlyle has the right to designate up to nine of our eleven directors and a majority of the Board of Directors has been designated by Carlyle and is affiliated with Carlyle. As a result, Carlyle or its nominees to the Board of Directors have the ability to control the appointment of our management, the entering into of mergers, sales of substantially all of our assets and other extraordinary transactions and influence amendments to our certificate of incorporation. So long as Carlyle continues to own a majority of our common stock, they will have the ability to control the vote in any election of directors and will have the ability to prevent any transaction that requires stockholder approval regardless of whether others believe the transaction is in our best interests. In any of these matters, the interests of Carlyle may differ from or conflict with the interests of our other stockholders. Moreover, this concentration of stock ownership may also adversely affect the trading price for our common stock to the extent investors perceive disadvantages in owning stock of a company with a controlling stockholder or anticipate further sales of shares by Carlyle.

In addition, Carlyle is in the business of making investments in companies and may, from time to time, acquire interests in businesses that directly or indirectly compete with our business, as well as businesses that are significant existing or potential customers.

Future sales of our common stock in the public market could lower our share price, and any additional capital raised by us through the sale of equity or convertible debt securities may be dilutive and may adversely affect us or the market price of our common stock.

We or Carlyle, may sell additional shares of common stock. We may also issue additional shares of common stock or convertible debt securities to finance future acquisitions, including the TE Acquisition. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including sales that may occur pursuant to Carlyle s registration rights and shares that may be issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect the market prices for our common stock. Future changes in the level of Carlyle ownership could, depending on the timing of such changes, have an adverse effect on our ability to utilize various tax attributes.

We do not intend to pay dividends on our common stock and, consequently, the ability of investors to achieve a return on their investment will depend on appreciation in the price of our common stock.

We do not intend to declare and pay dividends on our common stock for the foreseeable future. We currently intend to invest our future earnings, if any, to reduce indebtedness and fund our growth. Therefore, common stock investors are not likely to receive any dividends for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value. However, the payment of future dividends will be at the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board of Directors deems relevant. The Notes Indentures and the credit agreements governing our senior secured credit facilities also effectively limit our ability to pay dividends. As a consequence of these limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock.

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law might discourage, delay or prevent a change of control of our company or changes in our management and, as a result, depress the trading price of our common stock.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could discourage, delay or prevent a change in control of our company or changes in our management that the stockholders of our company may deem advantageous. These provisions:

- authorize 1,300,000,000 shares of common stock, which, to the extent unissued, could be issued without stockholder approval by the Board of Directors to increase the number of outstanding shares and to discourage a takeover attempt;

- authorize the issuance, without stockholder approval, of blank check preferred stock that our Board of Directors could issue to increase the number of outstanding shares and to discourage a takeover attempt;

- grant to the Board of Directors the sole power to set the number of directors and to fill any vacancy on the Board of Directors;

- limit the ability of stockholders to remove directors only for cause if Carlyle and its affiliates collectively cease to own more than 50% of our common stock and require any such removal to be approved by holders of at least three-quarters of the outstanding shares of common stock;

- prohibit our stockholders from calling a special meeting of stockholders if Carlyle and its affiliates collectively cease to own more than 50% of our common stock;

- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders, if Carlyle and its affiliates collectively cease to own more than 50% of our common stock;

- provide that the Board of Directors is expressly authorized to adopt, or to alter or repeal our bylaws;
- establish advance notice and certain information requirements for nominations for election to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- establish a classified Board of Directors, with three staggered terms; and
- require the approval of holders of at least three-quarters of the outstanding shares of common stock to amend the bylaws and certain provisions of the certificate of incorporation if Carlyle and its affiliates collectively cease to own more than 50% of our common stock.

In addition, we opted out of Section 203 of the General Corporation Law of the State of Delaware (the DGCL), which, subject to some exceptions, prohibits business combinations between a Delaware corporation and an interested stockholder, which is generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation s voting stock for a three-year period following the date that the stockholder became an interested stockholder.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company and may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if the provisions are viewed as discouraging takeover attempts in the future. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and cause us to take corporate actions other than those you desire.

We are a controlled company within the meaning of the rules of Nasdaq and, as a result, qualify for, and intend to continue to rely on, exemptions from certain corporate governance requirements. Our stockholders do not have the same protections afforded to stockholders of companies that are subject to such requirements.

Carlyle continues to control a majority of the voting power of our outstanding common stock. As a result, we are a controlled company within the meaning of the corporate governance standards of Nasdaq. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the Board of Directors consist of independent directors;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirements that director nominees are selected, or recommended for selection by the Board of Directors, either by (1) independent directors constituting a majority of the Board s independent directors in a vote in which only independent directors participate or (2) a nominations committee comprised solely of independent directors, and that a formal written charter or board resolution, as applicable, addressing the nominations process is adopted.

We intend to continue to utilize these exemptions for as long as we continue to qualify as a controlled company. While exempt, we will not have a majority of independent directors and our nominating and compensation committees will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. Accordingly, our stockholders do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Risks Related to the Acquisition

The proposed acquisition of the Acquired Business may not be completed on a timely basis, on anticipated terms, or at all, and there are uncertainties and risks to consummating the Acquisition.

As previously described, on January 27, 2015, we entered into a definitive agreement (the Acquisition Agreement) with TE Connectivity Ltd. (TE), to purchase its Telecom, Enterprise and Wireless businesses, including its managed connectivity business (the Acquired Business), for $3.0 billion in cash (such acquisition, the Acquisition). The obligation of each party to consummate the Acquisition is subject to the satisfaction or waiver, to the extent permitted under applicable law, of a number of conditions, many of which are not within our control. These conditions include expiration or termination of the waiting period (and any extensions thereof) applicable under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the HSR Act), the receipt of all required clearances, approvals or authorizations required by certain other specified foreign governmental authorities under applicable antitrust laws and the absence of any order, judgment, injunction, law or other legal restraint prohibiting the consummation of the Acquisition. Our obligation to consummate the Acquisition is also subject the absence of a material adverse effect on the business, operations or condition of the Acquired

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Business, and each party s obligation to consummate the Acquisition is subject to certain additional closing conditions, including (i) the accuracy of the other party s representations and warranties contained in Acquisition Agreement (subject to certain materiality qualifiers) and (ii) the other party s compliance in all material respects with its covenants and agreements contained in the Acquisition Agreement.

The failure to satisfy all of the required conditions could delay the completion of the Acquisition for a significant period of time or prevent it from occurring. Any delay in completing the Acquisition could cause us not to realize some or all of the benefits that we expect to achieve if the Acquisition is successfully completed within its expected timeframe. Additionally, it is not certain that the conditions set forth in the Acquisition Agreement will be met or waived, that the necessary approvals will be obtained, or that we will be able to successfully consummate the Acquisition as provided for under the Acquisition Agreement, or at all.

We face risks and uncertainties due both to the pending Acquisition as well as the potential failure to consummate the Acquisition, including:

- if the Acquisition is not consummated, we will not realize any of the expected benefits of the Acquisition;

- failure to consummate the Acquisition could result in negative reactions from the financial markets or in the investment community, including negative impacts on our stock price;

- we will remain liable for significant transaction costs, including legal, financial advisory, accounting and other costs relating to the Acquisition even if it is not consummated;

- if the Acquisition Agreement is terminated before we complete the Acquisition, under some circumstances, including in the event we fail to obtain the required antitrust approvals or we are unable to secure the financing necessary to consummate the Acquisition, we may have to pay a termination fee to TE of $210 million in cash;

- the pending Acquisition could have an adverse impact on our relationships with employees, customers and suppliers, and prospective customers or other third parties may delay or decline entering into agreements with us as a result of the announcement of the Acquisition; and

- the attention of our management and employees may be diverted from day-to-day operations.

The occurrence of any of these events individually or in combination could have a material adverse effect on our share price, business, cash flows, results of operations and financial position.

In order to complete the Acquisition, we must make certain governmental filings and obtain certain governmental authorizations under applicable antitrust laws, and if such filings and authorizations are not made or granted or are granted with conditions, or if governmental authorities otherwise seek to impose conditions or to challenge the Acquisition, completion of the Acquisition may be jeopardized or the anticipated benefits of the Acquisition could be reduced.

Although we and TE have agreed in the Acquisition Agreement to use our reasonable best efforts, subject to certain limitations, to make certain governmental filings and obtain the required expiration or termination of the waiting period or approvals under the HSR Act and multiple foreign antitrust laws, there can be no assurance that the termination of the waiting period or receipt of approvals under the HSR Act and applicable foreign antitrust laws will occur. There can also be no assurance that governmental authorities will not seek to challenge the Acquisition or impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the Acquisition or imposing additional material costs on or materially limiting the revenues of our business and the Acquired Business following the Acquisition, or otherwise adversely affecting our business and the Acquired Business after completion of the Acquisition; provided, that, under the terms of the Acquisition Agreement, we are not required to take any action that would, or would reasonably be expected to, impose (i) any material limitation on our ability effectively to acquire the full rights of ownership of the assets of the Acquired Business, (ii) a material reduction in the reasonably anticipated benefits (financial or otherwise) of the Acquisition or (iii) an impact that is materially adverse to the assets, business, results of operation or condition (financial or otherwise) of our business or the Acquired Business. In addition, in the event we fail to obtain the required antitrust approvals and the Acquisition Agreement is terminated as a result thereof, we will be required to pay a termination fee to TE of $210 million in cash. The occurrence of any of these events individually or in combination could have a material adverse effect on our share price, business, cash flows, results of operations and financial position.

Integration of the Acquired Business into our business will be difficult, costly and time consuming and the anticipated benefits and cost savings of the Acquisition may not be realized.

Even if the Acquisition is completed, our ability to realize the anticipated benefits of the Acquisition will depend, to a large extent, on our ability to integrate the two businesses. The combination of two independent businesses is a complex, costly and time-consuming process and there can be no assurance that we will be able to successfully integrate the Acquired Business into our business, or if such integration is successfully accomplished, that such integration will not be more costly or take longer than presently contemplated. If we cannot successfully integrate and manage the Acquired Business within a reasonable time following the Acquisition, we may not be able to realize the potential and anticipated benefits of the Acquisition, which could have a material adverse effect on our share price, business, cash flows, results of operations and financial position.

Our ability to realize the expected synergies and benefits of the Acquisition is subject to a number of risks and uncertainties, many of which are outside of our control. These risks and uncertainties could adversely impact our business, results of operation and financial condition and include, among other things:

- our ability to complete the timely integration of operations and systems, organizations, standards, controls, procedures, policies and technologies, as well as the harmonization of differences in the business cultures of our company and the Acquired Business;

- our ability to minimize the diversion of management attention from ongoing business concerns of both our business and the Acquired Business during the process of integrating our company and the Acquired Business;

- our ability to retain the service of senior management and other key personnel of both our business and the Acquired Business;

- our ability to preserve customer, supplier and other important relationships of our company and the Acquired Business and resolve potential conflicts that may arise;

- the risk that certain customers and suppliers of the Acquired Business will opt to discontinue business with the Acquired Business or exercise their right to terminate their agreements as a result of the Acquisition pursuant to change of control provisions in their agreements;

- the risk that the Acquired Business may have liabilities that we failed to or were unable to discover in the course of performing due diligence;

- the risk that integrating the Acquired Business into our business may be more difficult, costly or time consuming than anticipated;

- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination;

- difficulties in managing the expanded operations of a significantly larger and more complex combined business; and

- the risk that regulatory agencies will require that we dispose of material aspects of our business or the Acquired Business as a condition to the consummation of the Acquisition.

We may encounter additional integration-related costs, may fail to realize all of the benefits anticipated in the acquisition or be subject to other factors that adversely affect preliminary estimates. In addition, even if the operations of the Acquired Business are integrated successfully, the full benefits of the Acquisition may not be realized, including the synergies, cost savings or sales or growth opportunities that are expected. The occurrence of any of these events individually or in combination could have a material adverse effect on our share price, business and cash flows, results of operations and financial position. The Acquisition may not be accretive to earnings or other key financial metrics, which may also negatively affect the price of our common stock following consummation of the Acquisition.

Following the closing of the Acquisition, we expect that we will be relying on TE to provide a wide range of services required to operate the Acquired Business under Transition Services Agreements (TSAs) for an extended period.

Due to the high level of integration of the Acquired Business with the remainder of TE s business, it will be highly complex and time consuming to separate the Acquired Business in order to effectively begin to integrate them with our business. As a result, we will be dependent on TE to continue to perform elements of such critical functions as information technology, human resources, finance, logistics and operations for parts or all of the Acquired Business under TSAs. It may be up to several years before we are able to assume all of these functions and discontinue the TSAs.

While operating under these TSAs, we are exposed to various risks, including the following:

- costs of operating the Acquired Business may be greater than we anticipated;
- we may need to operate under the TSAs for longer than expected;
- we may not get information necessary to realize the anticipated synergies while we are operating under the TSAs; and
- we may not be able to maintain an effective system of internal controls over financial reporting while operating under the TSAs.

We may be unable to realize the expected growth opportunities and cost savings from the Acquisition.

We currently expect to realize annual cost savings of approximately $150 million to be fully achieved within three years of the closing of the Acquisition. The anticipated cost savings are based upon assumptions about our ability to implement integration measures in a timely fashion and within certain cost parameters. Our ability to achieve the planned cost synergies is dependent upon a significant number of factors, many of which are beyond our control. For example, we may be unable to eliminate duplicative costs in a timely fashion or at all. Our inability to realize anticipated cost savings and revenue enhancements from the Acquisition could have a material adverse effect on our share price, business, cash flows, results of operations and financial position.

We currently expect to incur significant additional indebtedness to finance the Acquisition, and such increased debt levels could adversely affect our business, cash flow and results of operations.

We expect to incur up to $3.0 billion of indebtedness in connection with the Acquisition. As a result of this indebtedness, our interest payment obligations will increase substantially. The degree to which we are leveraged could have adverse effects on our business, including the following:

making it difficult for us to satisfy our obligations under our credit facility and contractual and commercial commitments;

requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

- limiting our ability to make additional strategic acquisitions or exploit business opportunities;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- limiting our ability to refinance indebtedness, or increasing the associated costs;
- making us more vulnerable to economic downturns and adverse developments in the business;
- limiting our ability to borrow additional funds; and
- decreasing our ability to compete effectively or operate successfully under adverse economic and industry conditions.

If we incur additional debt in the future, these risks will intensify. Our ability to meet our debt service obligations will depend upon our future performance, which will be subject to the financial, business and other factors affecting our operations, many of which are beyond our control.

In addition, the agreements that will govern the indebtedness to be incurred or assumed in connection with our acquisition of the Acquired Business are expected to contain various affirmative and negative covenants that may, subject to certain exceptions, restrict our ability to, among other things, engage in certain business transactions or incur additional indebtedness.

Additionally, pursuant to the terms of the financing commitment, if the Acquisition is not consummated within six months of the date of the Acquisition Agreement we will begin to incur significant additional expenses either in the form of ticking fees or in interest (if we are required to incur the indebtedness contemplated by the financing commitment prior to the consummation of the Acquisition) that in each case will accrue until the Acquisition is successfully consummated or the Acquisition Agreement is terminated.

Although we have a financing commitment from lenders for this indebtedness, the commitment is subject to certain conditions, and we cannot assure that those conditions will be satisfied. If we fail to secure the financing necessary to consummate the Acquisition and the Acquisition Agreement is terminated as a result thereof, we will be required to pay a termination fee to TE of $210 million in cash.

ITEM 1B. UNRESOLVED STAFF COMMENTS
None.

ITEM 2. PROPERTIES
Our facilities are used primarily for manufacturing, distribution and administration. Facilities primarily used for manufacturing may also be used for distribution, engineering, research and development, storage, administration, sales and customer service. Facilities primarily used for administration may also be used for research and development, sales and customer service. As of December 31, 2014, our principal facilities, grouped according to the facility s primary use, were as follows:

Location	Approximate square feet	Principal segments	Owned or leased
Administrative facilities:			
Hickory, NC (1)	84,000	Corporate headquarters	Owned
Joliet, IL (2)	690,000	Corporate	Leased
Richardson, TX (1)	100,000	Wireless	Owned
Richardson, TX	75,000	Enterprise	Leased
Manufacturing and distribution facilities:			
Catawba, NC (1)	1,000,000	Broadband	Owned
Claremont, NC (1)	583,000	Enterprise	Owned
Suzhou, China (3)	414,000	Wireless	Owned
Suzhou, China (3)	363,000	Broadband	Owned
Statesville, NC (1)(4)	310,000	Broadband	Owned
Reynosa, Mexico	279,000	Wireless	Owned
Goa, India (3)	236,000	Wireless	Owned
Brno, Czech Republic	150,000	Wireless	Leased
Campbellfield, Australia	133,000	Wireless	Leased
Lochgelly, United Kingdom	132,000	Wireless and Broadband	Owned
Bray, Ireland	130,000	Enterprise	Owned
Mission, TX	121,000	Wireless	Leased
McCarran, NV	120,000	Broadband	Leased
Buchdorf, Germany	109,000	Wireless	Owned
Vacant facilities and properties:			
Orland Park, IL (1)(5)		Wireless	Owned
Newton, NC (1)(6)	455,000	Wireless	Owned
Sorocaba, Brazil (1)(7)	152,000	Wireless	Owned

(1) Our interest in each of these properties is encumbered by a mortgage or deed of trust lien securing our senior secured credit facilities (see Note 6 in the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K).
(2) The former manufacturing portion of the Joliet facility is vacant and is currently being marketed for sublease.
(3) The buildings in these facilities are owned while the land is held under long-term lease agreements.
(4) The Statesville facility is expected to be vacated during 2015 and is currently being marketed for sale.
(5) The building at the Orland Park facility has been demolished and cleared and the 73 acre parcel is vacant.

(6) The Newton facility is currently being marketed for sale.

(7) The Sorocaba, Brazil facility is currently being marketed for sale.

We believe that our facilities and equipment generally are well maintained, in good condition and suitable for our purposes and adequate for our present operations. While we currently have excess manufacturing capacity in certain of our facilities, utilization is subject to change based on customer demand. We can give no assurances that we will not have excess manufacturing capacity or encounter capacity constraints over the long term.

ITEM 3. LEGAL PROCEEDINGS

We are either a plaintiff or a defendant in certain pending legal matters in the normal course of business. Management believes none of these legal matters will have a material adverse effect on our business or financial condition upon their final disposition.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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

Stock Price and Dividends

Our common stock is traded on the Nasdaq Global Select Market under the symbol COMM. The following table sets forth the high and low sale prices as reported by Nasdaq for the periods indicated:

	Common Stock Price Range	
	High	**Low**
2013		
First Quarter	N/A	N/A
Second Quarter	N/A	N/A
Third Quarter	N/A	N/A
Fourth Quarter (beginning October 25, 2013)	$ 19.02	$ 14.72
2014		
First Quarter	$ 25.89	$ 16.86
Second Quarter	$ 27.96	$ 22.66
Third Quarter	$ 26.89	$ 21.79
Fourth Quarter	$ 24.43	$ 19.68

As of February 9, 2015, the approximate number of registered stockholders of record of our common stock was 25.

Although we have paid cash dividends from time to time in the past while we were a privately-held company, we do not currently intend to pay dividends in the foreseeable future, but intend to reinvest earnings in our business. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions, including covenants under our senior notes and senior secured credit facilities, which may limit our ability to pay dividends.

Stock Performance Graph

The following graph compares cumulative total return on $100 invested on October 25, 2013 in each of CommScope s Common Stock, the Standard & Poor s 500 Stock Index (S&P 500 Index) and the Standard & Poor s 1500 Communications Equipment Index (S&P 1500 Communications Equipment). The return of the Standard & Poor s indices is calculated assuming reinvestment of dividends.

Company / Index	Base Period 10/25/13	INDEXED RETURNS Period Ending 12/31/13	3/31/14	6/30/14	9/30/14	12/31/14
CommScope Holding Company, Inc.	100	126.28	164.64	154.30	159.51	152.30
S&P 500 Index	100	105.49	107.39	113.01	114.29	119.93
S&P 1500 Communications Equipment	100	105.56	109.85	115.22	112.51	119.17

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PART II

ITEM 6. SELECTED FINANCIAL DATA

The following table presents our historical selected financial data as of the dates and for the periods indicated. The data for each of the years presented are derived from our audited consolidated financial statements. The information set forth below should be read in conjunction with our audited consolidated financial statements and notes thereto and Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations of this Annual Report.

Five-Year Summary of Selected Financial Data

(In thousands, except per share amounts)

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011 (1)**	**2010**
Results of Operations:					
Net sales	$ 3,829,614	$ 3,480,117	$ 3,321,885	$ 3,275,462	$ 3,188,916
Gross profit	1,397,269	1,200,940	1,060,681	830,352	937,209
Restructuring costs, net	19,267	22,104	22,993	18,724	59,647
Impairments of long-lived assets	12,096	45,529	40,907	126,057	
Operating income (loss)	577,449	329,714	238,238	(188,432)	224,933
Net interest expense	(173,981)	(205,492)	(185,557)	(259,998)	(97,904)
Net income (loss)	236,772	19,396	5,353	(392,362)	44,099
Earnings Per Share Information:					
Weighted average number of shares outstanding:					
Basic	186,905	160,641	154,708	(3)	(3)
Diluted	191,450	164,013	155,517	(3)	(3)
Earnings per share:					
Basic	$ 1.27	$ 0.12	$ 0.03	(3)	(3)
Diluted	$ 1.24	$ 0.12	$ 0.03	(3)	(3)
Other Information:					
Net cash provided by operating activities	$ 289,418	$ 237,701	$ 286,135	$ 130,995	$ 226,287
Depreciation and amortization	259,504	256,616	262,279	297,005	187,207
Additions to property, plant and equipment	36,935	36,780	27,957	39,533	35,399
Cash dividends per share	$	$ 3.47	$ 1.29	$	$

	As of December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Balance Sheet Data (2):					
Cash, cash equivalents and short-term investments	$ 729,321	$ 346,320	$ 264,375	$ 317,102	$ 706,066
	2,712,814	2,872,698	3,052,615	3,267,497	1,617,878

Goodwill and intangible assets					
Property, plant and equipment, net	289,371	310,143	355,212	407,557	343,318
Total assets	4,955,885	4,734,055	4,793,264	5,153,189	3,875,452
Working capital	1,351,805	860,042	737,638	853,625	1,256,616
Long-term debt, including current maturities	2,707,725	2,514,552	2,470,770	2,563,004	1,346,598
Stockholders equity	1,307,619	1,088,016	1,182,282	1,365,089	1,669,930

(1) The period of January 1 January 14, 2011(prior to the acquisition of CommScope, Inc. by Carlyle) and the period of January 15 December 31, 2011 (subsequent to the acquisition of CommScope, Inc. by Carlyle) have been combined for presentation of 2011 results and the combined 2011 amounts are unaudited.

(2) Balance Sheet Data as of December 31, 2010 does not reflect the application of acquisition accounting and new debt incurred as a result of the acquisition of CommScope, Inc. by Carlyle in 2011.

(3) Excluded from presentation due to lack of comparability of shares outstanding.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Risk Factors included in Part I, Item 1A or in other parts of this Annual Report on Form 10-K.

OVERVIEW

We are a leading global provider of connectivity and essential infrastructure solutions for wireless, business enterprise and residential broadband networks. We help our customers solve communications challenges by providing critical radio frequency (RF) solutions, intelligent connectivity and cabling platforms, data center and intelligent building infrastructure and broadband access solutions.

We serve our customers through three operating segments: Wireless, Enterprise and Broadband. We believe that we are the only company in the world with a significant leadership position in connectivity and essential infrastructure solutions for the wireless, enterprise and residential broadband networks. Through our Andrew brand, we are the global leader in providing merchant RF wireless network connectivity solutions and small cell distributed antenna systems (DAS) solutions. Through our SYSTIMAX and Uniprise brands, we are the global leader in enterprise connectivity solutions, delivering a complete end-to-end physical layer solution, including connectivity and cables, enclosures, data center and network intelligence software, in-building wireless, advanced LED lighting systems management and network design services for enterprise applications and data centers. We are also a premier manufacturer of coaxial and fiber optic cable for residential broadband networks globally.

During the periods presented below, the primary sources of revenue for our Wireless segment were (i) product sales of primarily passive transmission devices for the wireless infrastructure market including base station and microwave antennas, hybrid fiber-feeder and power cables, coaxial cable connectors and equipment primarily used by wireless operators, (ii) product sales of active electronic devices and services including power amplifiers, filters and tower-mounted amplifiers and (iii) engineering and consulting services and products like small cell DAS that are used to extend and enhance the coverage of wireless networks in areas where signals are difficult to send or receive such as commercial buildings, urban areas, stadiums and transportation systems. Demand for Wireless segment products depends primarily on capital spending by wireless operators to expand their distribution networks or to increase the capacity of their networks.

To expand our Wireless segment offerings, we acquired two businesses of United Kingdom-based Alifabs Group (Alifabs) during 2014 for $48.8 million ($46.7 million, net of cash acquired). Alifabs designs and supplies metro cell enclosures, monopoles, smaller streetworks towers and tower solutions for the United Kingdom telecommunications, utility and energy markets.

The primary source of revenue for our Enterprise segment was sales of optical fiber and twisted pair structured cabling solutions and intelligent infrastructure products and software to large, multinational companies, primarily through a global network of distributors, system integrators and value-added resellers. Demand for Enterprise segment products depends primarily on information technology spending by enterprises, such as communications projects in new data centers, buildings or campuses, building expansions or upgrades of network systems within buildings, campuses or data centers.

During 2013, we acquired two businesses within our Enterprise segment: iTRACS Corporation (iTRACS), a provider of enterprise-class data center infrastructure management (DCIM) solutions, for $29.3 million, and Redwood Systems, Inc. (Redwood), a provider of advanced LED lighting control and high-density sensor solutions for data centers and buildings, for $22.2 million. The purchase price for Redwood consisted of an initial payment of $9.8 million and contingent consideration with an estimated fair value of $12.4 million as of the acquisition date. The contingent consideration is payable in 2015 and could range from zero to $37.25 million. The amount to be paid for contingent consideration will be based on achievement of sales targets for Redwood products with the maximum level of payout reached with $55.0 million of sales by July 31, 2015. During 2014, the estimated fair value of the liability for contingent consideration was reduced to zero.

The primary source of revenue for our Broadband segment was product sales to cable television system operators, including cable and communications products that support the multichannel video, voice and high-speed data services of multi-system operators (MSOs) and coaxial and fiber optic cable for residential broadband networks. Demand for our Broadband segment products depends primarily on capital spending by cable television system operators for maintaining, constructing and rebuilding or upgrading their systems.

Our future financial condition and performance will be largely dependent upon: global spending by wireless operators; global spending by business enterprises on information technology; investment by cable operators and communications companies in the video and communications infrastructure; overall global business conditions; and our ability to manage costs successfully among our global operations. We have experienced significant increases and greater volatility in raw material prices during the past several years as a result of increased global demand, supply disruptions and other factors. We attempt to mitigate the risk of increases in raw material price volatility through effective requirements planning, working closely with key suppliers to obtain the best possible pricing and delivery terms and implementing price increases. Delays in implementing price increases, failure to achieve market acceptance of price increases, or price reductions in response to a rapid decline in raw material costs could have a material adverse impact on the results of our operations. Our profitability is also affected by the mix and volume of sales among our various product groups and between domestic and international customers and competitive pricing pressures.

In January 2015, we announced that we agreed to acquire TE Connectivity s Telecom, Enterprise and Wireless business in an all-cash transaction valued at approximately $3.0 billion. This business provides fiber optic connectivity for wireline and wireless networks and generated annual revenues of approximately $1.9 billion in its fiscal year ended September 26, 2014. The transaction is expected to accelerate our strategy to drive profitable growth by entering into attractive adjacent markets and to broaden our position as a leading communications infrastructure provider. In addition, we will have greater geographic and business diversity following the completion of the transaction. The acquisition is expected to be financed using a combination of cash on hand and up to $3.0 billion of additional debt. The transaction is expected to close by the end of 2015, subject to consummation of contemplated financing, regulatory approvals and other customary closing conditions.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in conformity with U.S. GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and their underlying assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other objective sources. Management bases its estimates on historical experience and on assumptions that are believed to be reasonable under the circumstances and revises its estimates, as appropriate, when changes in events or circumstances indicate that revisions may be necessary.

The following critical accounting policies and estimates reflected in our financial statements are based on management s knowledge of and experience with past and current events and on management s assumptions about future events. While we have generally not experienced significant deviations from our critical estimates in the past, it is reasonably possible that these estimates may ultimately differ materially from actual results. See Note 2 in the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K for a description of all of our significant accounting policies.

Revenue Recognition

We recognize revenue 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. The majority of our revenue comes from product sales. Revenue from product sales is recognized when the risks and rewards of ownership have passed to the customer and revenue is measurable. Revenue is not recognized related to products sold to contract manufacturers that the Company anticipates repurchasing in order to complete the sale to the ultimate customer.

Revenue for certain of the Company s products is derived from multiple-element contracts. The value of the revenue elements within these contracts is allocated based on the relative selling price of each element. The relative selling price is determined using vendor-specific objective evidence of selling price or other third party evidence of selling price, if available. If these forms of evidence are unavailable, revenue is allocated among elements based on management s best estimate of the stand-alone selling price of each element.

Certain revenue arrangements are for the sale of software and services. Revenue for software products is recognized based on the timing of customer acceptance of the specific revenue elements. The fair value of each revenue element is determined based on vendor-specific objective evidence of fair value determined by the stand-alone pricing of each element. These contracts typically contain post-contract support (PCS) services which are sold both as part of a bundled product offering and as a separate contract. Revenue for PCS services is recognized ratably over the term of the PCS contract. Other service revenue is typically recognized once the service is performed or over the period of time covered by the arrangement.

We record reductions to revenue for anticipated 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.

Management generally believes it has sufficient historical experience to allow for reasonable and reliable estimation of these reductions to revenue. However, deteriorating market conditions could result in increased sales returns and allowances and potential distributor price protection incentives, resulting in future reductions to revenue. If management does not have sufficient historical experience to make a reasonable estimation of these reductions to revenue, recognition of the revenue is deferred until management believes there is a sufficient basis to recognize such revenue.

Inventory Reserves

We maintain reserves to reduce the value of inventory based on the lower of cost or market principle, including allowances for excess and obsolete inventory. These reserves are based on management s assumptions about and analysis of relevant factors including current levels of orders and backlog, forecasted demand, market conditions and new products or innovations that diminish the value of existing inventories. If actual market conditions deteriorate from those anticipated by management, additional allowances for excess and obsolete inventory could be required.

Product Warranty Reserves

We recognize a liability for the estimated claims that may be paid under our customer warranty agreements to remedy potential deficiencies of quality or performance of our products. The 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. We record a provision for estimated future warranty claims based upon the historical relationship of warranty claims to sales and specifically identified warranty issues. We base our estimates on historical experience and on assumptions that are believed to be reasonable under the circumstances and revise our estimates, as appropriate, when events or changes in circumstances indicate that revisions may be necessary.

Although these estimates are based on management s knowledge of and experience with past and current events and on management s assumptions about future events, it is reasonably possible that they may ultimately differ materially from actual results, including in the case of a significant product failure.

Tax Valuation Allowances, Liabilities for Unrecognized Tax Benefits and Other Tax Reserves

We establish an income tax valuation allowance when available evidence indicates that it is more likely than not that all or a portion of a deferred tax asset will not be realized. In assessing the need for a valuation allowance, we consider the amounts, character, source and timing of expected future deductions or carryforwards as well as sources of taxable income and tax planning strategies that may enable utilization. We maintain an existing valuation allowance until sufficient positive evidence exists to support its reversal. Changes in the amount or timing of expected future deductions or taxable income may have a material impact on the level of income tax valuation allowances. If we determine that we will not be able to realize all or part of a deferred tax asset in the future, an increase to an income tax valuation allowance would be charged to earnings in the period such determination was made.

We recognize income tax benefits related to particular tax positions only when it is considered more likely than not that the tax position will be sustained if examined on its technical merits by tax authorities. The amount of benefit recognized is the largest amount of tax benefit that is evaluated to be greater than 50% likely to be realized. Considerable judgment is required to evaluate the technical merits of various positions and to evaluate the likely amount of benefit to be realized. Lapses in statutes of limitations, developments in tax laws, regulations and interpretations, and changes in assessments of the likely outcome of uncertain tax positions could have a material impact on the overall tax provision.

We establish deferred tax liabilities for the estimated tax cost associated with foreign earnings that we do not consider permanently reinvested. These liabilities are subject to adjustment if we determine that foreign earnings previously considered to be permanently reinvested should no longer be so considered.

We also establish allowances related to value added and similar tax recoverables when it is considered probable that those assets are not recoverable. Changes in the probability of recovery or in the estimates of the amount recoverable are recognized in the period such determination is made and may be material to earnings.

Asset Impairment Reviews

Impairment Reviews of Goodwill

We test goodwill for impairment annually as of October 1 and on an interim basis when events occur or circumstances indicate the carrying value may no longer be recoverable. Goodwill is evaluated at the reporting unit level, which may be the same as a reportable segment or a level below a reportable segment. Step one of the goodwill impairment test is a comparison of the carrying value of a reporting unit to its estimated fair value. We estimate the fair value of a reporting unit through the use of a discounted cash flow (DCF) valuation model. The significant assumptions in the DCF model are the annual revenue growth rate, the annual operating income margin and the discount rate used to determine the present value of the cash flow projections. Among other inputs, the annual revenue growth rate and operating income margin are determined by management using historical performance trends, industry data, insight derived from customers, relevant changes in the reporting unit s underlying business and other market trends that may affect the reporting unit. The discount rate is based on the estimated weighted average cost of capital as of the test date of market participants in the industry in which the reporting unit operates. The assumptions used in the DCF model are subject to significant judgment and uncertainty. Changes in projected revenue growth rates, projected operating income margins or estimated discount rates due to uncertain market conditions, loss of one or more key customers, changes in technology, or other factors, could result in one or more of our reporting units with a significant amount of goodwill failing step one of the goodwill impairment test in the future. It is possible that future impairment reviews may indicate additional impairments of goodwill, which could be material to our results of operations and financial position. Our historical or projected revenues or cash flows may not be indicative of actual future results.

2014 Interim Goodwill Analysis

During 2014, the Microwave Antenna Group (Microwave) reporting unit in the Wireless segment experienced lower than expected levels of sales and operating income. Management considered these results and the longer term effect of market conditions on the continued operations of the business and determined that an indicator of possible impairment existed. A step one goodwill impairment test was performed using a DCF valuation model. Based on the estimated fair values generated by the DCF model, the Microwave reporting unit did not pass step one of the goodwill impairment test. A step two analysis was completed and a $4.9 million impairment charge was recorded. The goodwill impairment charge resulted primarily from lower projected operating results than those assumed during the 2013 annual impairment test. The weighted average discount rate used in the interim impairment test for the Microwave reporting unit was 11.0% compared to 11.5% that was used in the 2013 annual goodwill impairment test.

2014 Annual Goodwill Analysis

The annual test of goodwill was performed for each of the reporting units with goodwill balances as of October 1, 2014. The test was performed using a DCF valuation model. The weighted average discount rates used in the 2014 annual test were 11.4% for the Wireless reporting units and 10.5% for both the Enterprise and Broadband reporting units. These discount rates were slightly lower than those used in the 2013 annual goodwill impairment test. Based on the estimated fair values generated by our DCF models, no reporting units failed step one of the annual goodwill impairment test.

The goodwill balance by reporting unit as of December 31, 2014 and a summary of the excess of estimated fair value over the carrying value of the reporting unit as a percent of the carrying value as of the annual impairment test date is as follows:

Reportable Segment	Reporting Unit		Goodwill (in millions)	Estimated Fair Value in Excess of Carrying Value
Wireless	Cable Products		$ 294.0	16%
Wireless	Base Station Antennas		166.4	203
Wireless	Microwave Antenna Group		126.2	3
Wireless	Distributed Coverage and Capacity Solutions		161.4	205
Enterprise	Enterprise		653.8	73
Broadband	$	69,300		

The purchase price included $2.6 million of long-term debt which was included in the long-term liabilities. The debt was measured at fair value using the effective interest rate method and considered as Level 3 inputs as defined in the fair value hierarchy, which approximates carrying value as of December 27, 2015.

The purchase price includes contingent considerations of (i) $8.0 million payable in cash to the former Movea shareholders upon a design win with a major smartphone manufacturer within one year of closing date, and (ii) $5.0 million payable in cash to the former Movea shareholders upon a specific product development milestone before December 29, 2014. The fair value of the contingent consideration of $8.4 million was derived from a probability weighted earn-out model of future contingent payments and recorded in accrued liabilities. The product development milestone of $5.0 million was achieved and the payment was made in fiscal 2015. The difference between the contractual amount of $5.0 million and the fair value of this contingent consideration was recorded in the research and development expense for the year ended March 29, 2015. During the nine months ended December 27, 2015, the fair value of contingent consideration for Movea declined by $4.0 million. The decline in fair value was the result of a reduction in the probability of a design win milestone associated with the Movea acquisition from 50% to 0%. The decline in fair value of the design win milestones for Movea was recorded as a credit to research and development expense.

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INVENSENSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The purchase price exceeded the fair value of the net tangible and identifiable intangible assets acquired and, as a result, the Company recorded goodwill in connection with this transaction. The acquisition will provide assembled workforce and synergy with other of the Company s offerings. These factors primarily contributed to a purchase price that resulted in goodwill.

The following table presents certain information on acquired identifiable intangible assets related to the Movea acquisition:

	Estimated Fair Value (in thousands)	Estimated Useful Life (in years)
Developed technology	$ 7,200	5

The fair value of developed technology was determined using a cost approach, which includes an estimate of time and expenses required to recreate the intangible asset. The fair value of developed technology was capitalized as of the acquisition date and will be amortized using a straight-line method to cost of revenue over the estimated useful life of five years.

Trusted Positioning, Inc.

On August 29, 2014, the Company completed the acquisition of Trusted Positioning, Inc., (TPI), a Canadian corporation, which is an indoor/outdoor positioning software company to provide Positioning Everywhere . The acquisition of TPI, particularly its advanced location tracking software, strengthens the Company s position as a provider of intelligent sensor System on Chips (SoC) for the fast growing mobile market.

The Company s acquisition of TPI was completed through a step acquisition. In fiscal 2014, the Company made investments totaling $0.3 million to own approximately 4.57% of TPI s outstanding common stock. On August 29, 2014, the Company purchased the remaining outstanding common stock of TPI for a total consideration of $25.9 million. The total purchase price, as presented in the table below, consists of (i) cash of $11.4 million, (ii) issuance of 236,000 shares of the Company s common stock with a fair value of $5.7 million, (iii) contingent considerations with a combined fair value of $7.6 million payable upon TPI s achievement of certain product development milestones, and (iv) initial investments with a fair value of $1.2 million.

The table below is a summary of the purchase price allocation for the 100% equity interest of the fair value of assets acquired and liabilities assumed in connection with the acquisition of TPI (in thousands):

Cash consideration	$ 11,379

Issuance of common stock	5,703
Contingent consideration	7,634
Fair value of previously held 4.57% equity interest	1,215
	$ 25,931
Allocation of purchase price:	
Current assets	$ 392
Fixed assets	50
Other non-current assets	546
Developed technology	8,600
Goodwill	19,893
Current liabilities	(1,247)
Long-term liabilities	(2,303)
Total preliminary purchase price	$ 25,931

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INVENSENSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The purchase price includes contingent consideration comprised of (i) $5.0 million payable upon a design win within one year of acquisition, (ii) $3.0 million payable upon achieving a development milestone before December 29, 2014, (iii) $2.0 million payable upon successful development of cloud application within two years of acquisition and (iv) $2.0 million upon first deployment of cloud application which is expected within one year of successful development of cloud application. The contingent considerations, which was derived from a probability weighted earn-out model of future contingent payments, have a combined fair value of $7.6 million, of which $4.9 million was recorded in accrued liabilities and $2.7 million was recorded in other long-term liabilities. The development milestone of $3 million was achieved and the payment was made in fiscal 2015. The difference between the contractual amount of $3.0 million and the fair value of this contingent consideration was recorded in the research and development expense for the year ended March 29, 2015.

During the nine months ended December 27, 2015, the fair value of contingent consideration for TPI declined by $1.3 million. The decline in fair value was the result of a reduction in the probability of a design win associated with the TPI acquisition from 50% to 0%. The decline in fair value of the design win milestones for TPI was $2.4 million which was recorded as a credit to research and development expense. Offsetting this amount is an increase in the fair value of two TPI cloud application milestones as a result of an increase in the estimated probability of achievement of those milestones. The increase in the fair value of the cloud application milestones was $1.1 million which was recorded as a debit to research and development expense. A design milestone for TPI was achieved and the payment of $1.9 million was made during the three and nine months ended December 27, 2015.

The following table presents certain information on acquired identifiable intangible assets related to the TPI acquisition:

	Estimated Fair Value (in thousands)	Estimated Useful Life (in years)
Developed technology	$ 8,600	5

The fair value of developed technology was determined using a cost approach, which includes an estimate of time and expenses required to recreate the intangible asset. The fair value of developed technology was capitalized as of the acquisition date and will be amortized using a straight-line method to cost of revenue over the estimated useful life of 5 years.

In connection with the acquisition of TPI, the Company recorded a non-cash gain of approximately $0.9 million resulting from the difference between carrying value of its initial investments in TPI of $0.3 million and fair value of such investments of $1.2 million, as of the acquisition date. This non-cash gain is recorded in Other income, net on the Condensed Consolidated Statement of Operations in fiscal 2015.

9. Goodwill and Intangible Assets

The Company monitors the recoverability of goodwill recorded in connection with acquisitions annually, or whenever events or changes in circumstances indicate the carrying value may not be recoverable. There were no changes in the carrying amount of goodwill since March 29, 2015. The Company performs the annual goodwill impairment analysis as of the first day of the third quarter of each fiscal year. As of and for the three months ended December 27, 2015, the Company concluded that the $139.2 million of goodwill was not impaired.

Purchased intangible assets subject to amortization consist primarily of developed technology, customer relationships and patents and are reported net of accumulated amortization. Developed technology, customer relationships and patents are amortized on a straight line basis over the estimated useful life of the assets. In-process research and development (IPR&D) is assessed for impairment until the development is completed and products are available for sale. The Company expects to complete the IPR&D projects at various dates during fiscal year 2016 at which time amortization will commence. The costs that the Company incurred on the IPR&D projects after the acquisition were expensed. During fiscal 2015, the Company recorded $0.8 million of impairment on IPR&D on the MEMS Microphone business. During the three and nine months ended September 2015, one of the IPR&D projects was released to production. Therefore, the IPR&D value allocated to this project of $3.3 million was transferred to developed technology. Further, the estimated useful life for this technology is five years.

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INVENSENSE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Amortization for acquired intangible assets for the three and nine months ended December 27, 2015 was approximately $2.3 million and $6.8 million, respectively. Amortization for purchased intangible assets for the three months and nine months ended December 28, 2014 was approximately $2.0 million and $4.9 million respectively. The following table represents intangible assets and accumulated amortization:

	December 27, 2015		
	Gross	Accumulated Amortization (in thousands)	Net
Developed technology	$ 47,610	$ 15,016	$ 32,594
Customer relationships	1,560	483	1,077
Patents	2,120	351	1,769
Total intangible assets subject to amortization	$ 51,290	$ 15,850	$ 35,440

	March 29, 2015		
	Gross	Accumulated Amortization (in thousands)	Net
Developed technology	$ 44,320	$ 8,697	$ 35,623
Customer relationships	1,560	316	1,244
Patents	2,120	39	2,081
Total intangible assets subject to amortization	$ 48,000	$ 9,052	$ 38,948

The estimated future amortization expense related to intangible assets at December 27, 2015, is as follows:

Fiscal Year	Estimated Amortization (in thousands)
2016 (remainder)	$ 2,290
2017	9,160
2018	9,160
2019	9,160
2020	5,217

Thereafter		453
Total	$	35,440

10. Subsequent event

Subsequent to the quarter ended December 27, 2015, the Company acquired certain assets of a company and its affiliates involved in the development of navigation solutions. The total cash consideration associated with the acquisition was approximately $7 million. The Company also will record approximately $1 million contingent consideration that would be payable in the future should certain specified milestones be met. This acquisition is not significant to the Company s results of operations.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the notes to those statements included elsewhere in this Quarterly Report on Form 10-Q, the Consolidated Financial Statements and Notes thereto for the year ended March 29, 2015, and with management s discussion and analysis of our financial condition and results of operations included in our Annual Report on Form 10-K with the Securities and Exchange Commission (SEC) on May 28, 2015.

This Quarterly Report on Form 10-Q, including this Management s Discussion and Analysis of Financial Condition and Results of Operations, includes a number of forward-looking statements that involve many risks and uncertainties. Forward-looking statements are identified by the use of the words would , could , will , may , expect , believe , should , anticipate , outlook , if , future , intend , plan , estimate , predict , potential , targets , seek or continue and similar words and phrases, including the negatives of these terms, or other variations of these terms, that denote future events. These forward-looking statements include our expectations as to future sales of consumer electronics devices that could potentially integrate motion processors, our expectation that our products will remain a component of customers products throughout any such product s life cycle, our belief that users of our products are likely to introduce these products into other devices as well as to adopt our more advanced devices, our belief that certain end-markets pose large growth opportunities for motion processing functionality, our ability to protect our intellectual property in the United States and abroad, our belief in the sufficiency of our cash flows to meet our needs and our future financial and operating results. These statements reflect our current views with respect to future events and our potential financial performance and are subject to risks and uncertainties that could cause our actual results and financial position to differ materially and adversely from what is projected or implied in any forward-looking statements included in this Form 10-Q. These factors include, but are not limited to, the risks referred to under Item 1A. of Part I Risk Factors, included in the Company s Annual Report on Form 10-K filed on May 28, 2015 with the SEC and Item 2 of Part I Management s Discussion and Analysis of Financial Condition and Results of Operations, and discussed elsewhere in this Quarterly Report on Form 10-Q and those discussed in other documents we file with the SEC. We make these forward-looking statements based upon information available on the date of this Form 10-Q, and we have no obligation (and expressly disclaim any such obligation) to update or alter any forward-looking statements, whether as a result of new information or otherwise except as otherwise required by securities regulations.

Overview

Business Overview

We are the pioneer and a global market leader in devices and related software for sensor system on chip (Sensor SoC) for the motion and sound markets. Our motion solutions detect and track an object s motion in three-dimensional space. We assimilate information from gyroscopes, accelerometers, magnetometers (e.g., a compass), pressure sensors, and microphones to determine how a host device is moving, its direction, its elevation, and what it is hearing. We leverage our unique intellectual property in micro-electro-mechanical system (MEMS) design and manufacturing to reduce size, cost and power. Our proprietary algorithms improve speed and accuracy and our application programming interfaces (APIs) simplify the task of incorporating motion in end user applications.

While our solutions have broad applicability, we currently target the Mobile, Wearables, Smart Home, Gaming, Industrial, and Automotive markets. We utilize a fabless model, leveraging generally available CMOS and MEMS foundries and semiconductor packaging supply chains in combination with our own proprietary additions and improvements.

Our current strategy is to continue targeting consumer electronics and industrial markets with integrated motion and sound devices that meet or exceed the performance and cost requirements of customers, are easy to integrate and set industry performance benchmarks. Our ability to secure new customers depends on winning competitive processes, known as design wins. These selection processes are typically lengthy, and, as a result, our sales cycles will vary based on the market served, whether the design win is with an existing or a new customer and whether our product being designed into our customer s device is a first generation or subsequent generation product. Because the sales cycle for our products is long, we can incur design and development support expenditures in circumstances where we do not ultimately recognize any net revenue for an extended period of time or at all. We do not receive long-term purchase commitments from any of our customers, all of whom purchase our products on a purchase order basis. While product life cycles in our target market vary by application, once one of our solutions is incorporated into a customer s design, we believe that it will likely remain a component of the customer s product for its life cycle because of the time and expense associated with redesigning the product or substituting an alternative solution or customer device certification protocols. This dynamic is also supported by the increased likelihood that once a customer introduces one of our products into one of their devices, we believe they are more likely to introduce it into others. Additionally, once a customer introduces one of our lower functionality sensors into their platforms, we believe they will become more likely to adopt our more advanced integrated MotionTracking and audio devices.

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Net Revenue

We derive our net revenue from sales of our Motion and Sound solutions. We primarily sell our products through our worldwide sales organization. We also sell our products through an indirect channel of distributors that fulfill orders from manufacturers of consumer electronics devices, original design manufacturers and contract manufacturers (collectively referred to as intermediaries). When we reference customers in this report, we are referring to the manufacturers of consumer electronics devices to whom these intermediaries sell our products.

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Net revenue	$ 120,029	$ 115,864	$ 338,870	$ 272,740

Net revenue increased by $4.2 million, or 4%, in the third quarter of fiscal 2016 and increased by $66.1 million, or 24%, in the nine months ended December 27, 2015 compared to the corresponding periods of fiscal 2015. The increases in net revenue were primarily due to higher shipment volume, partially offset by lower per unit average selling prices. Total unit shipments increased by 14% and 42% in the three and nine months ended December 27, 2015, respectively. Our overall average unit selling price for the three and nine months ended December 27, 2015 decreased 9% and 13%, respectively, as a result of the change in our product mix and declines in average selling prices. We expect a continued trend of declining unit average selling prices for our products during their life cycles.

For the three months ended December 27, 2015, Apple Inc., or Apple and Samsung Electronics Co., Ltd., or Samsung accounted for 47% and 13% of net revenue, respectively. For the nine months ended December 27, 2015, Apple and Samsung accounted for 40% and 18% of net revenue, respectively. For the three months ended December 28, 2014, Apple and Samsung accounted for 45% and 24% of net revenue, respectively. For the nine months ended December 28, 2014, Apple and Samsung accounted for 29% and 28% of net revenue, respectively.

Net Revenue by Target End Market

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Smartphone and tablet devices	$ 77,663	$ 93,393	$ 224,539	$ 218,417
% of net revenue	65%	81%	66%	80%
Optical image stabilization	$ 16,899	$ 11,672	$ 54,424	$ 26,832
% of net revenue	14%	10%	16%	10%
Gaming and other	$ 25,467	$ 10,799	$ 59,907	$ 27,491
% of net revenue	21%	9%	18%	10%

The net revenue decrease for the smartphone and tablet end market in the three months ended December 27, 2015 reflects a comparable year ago period that included an initial sales ramp at a key customer, combined with increased competition for market share across this market segment. The net revenue increase for the smartphone and tablet end market for the nine months ended December 27, 2015 reflects expansion of the smartphone portion of the handset market and increased adoption of our technologies in those devices during that time period. The net revenue growth to total net revenue for the optimal image stabilization end market in the three and nine months ended December 27, 2015 primarily reflects increased adoption of our technology for optical image stabilization in smartphone camera modules. The net revenue growth and contribution to total net revenue for the gaming and other end market in the three and nine months ended December 27, 2015 primarily reflects increased adoption and expansion of a range of consumer electronic products in this market.

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Net Revenue by Geographic Region

Region	Three Months Ended December 27, 2015	Three Months Ended December 28, 2014	Nine Months Ended December 27, 2015	Nine Months Ended December 28, 2014
	(in thousands)			
United States	$ 61,672	$ 56,871	$ 148,388	$ 94,323
Korea	19,155	33,012	72,347	96,984
China	26,013	16,879	76,629	46,784
Japan	5,686	5,109	17,850	14,842
Taiwan	5,261	2,417	16,023	15,212
Rest of world	2,242	1,576	7,633	4,595
	$ 120,029	$ 115,864	$ 338,870	$ 272,740

We report revenue by geographic region based upon the location of the headquarters of our customers. We primarily sell our products directly to customers and distributors in Asia and North America. Sales into named Asian countries constituted 47% and 54% of our net revenue in the three and nine months ended December 27, 2015, respectively, compared with 50% and 64% of our net revenue in the three and nine months ended December 28, 2014, respectively. The net revenue increases in the United States and China reflect growing demand for our products primarily by mobile device manufacturers and consumer electronic manufacturers.

We believe that a substantial percentage of our net revenue will continue to come from sales to customers and contract manufacturers located in Asia, where most of the manufacturers of consumer electronics devices that use and may in the future use our products are located. As a result of this regional customer concentration, we may be subject to economic and political events and other developments that impact our customers in Asia. For more information, see the section titled Risk Factors Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business , referred to under Item 1A. of Part I in our Annual Report on Form 10-K filed on May 28, 2015 with the SEC.

Gross Profit and Gross Margin

Gross profit is the difference between net revenue and cost of revenue and gross margin is gross profit as a percentage of sales.

	Three Months Ended December 27, 2015	Three Months Ended December 28, 2014	Nine Months Ended December 27, 2015	Nine Months Ended December 28, 2014
	(in thousands)			
Gross profit	49,801	50,396	141,203	112,913
% of net revenue	41%	43%	42%	41%

Gross profit decreased by $0.6 million in the third quarter of fiscal 2016 and increased by $28.3 million in the nine months ended December 27, 2015 as compared to the corresponding periods of fiscal 2015. In the three months ended December 27, 2015, gross profit decreased primarily due to a $2.0 million net inventory charge largely related to excess and obsolete inventories combined with decreases in average selling price per unit sold for comparable products, partially offset by an increase in unit sales of our products. In the nine months ended December 27, 2015, gross profit increased primarily due to a significant increase in unit sales of our products, partially offset by decreases in average selling price per unit sold for comparable products. Gross margin was negatively impacted by a $3.9 million and a $8.1 million net inventory charge largely related to excess and obsolete inventories in the nine month ended December 27, 2015 and December 28, 2014, respectively.

Gross profit as a percentage of net revenue, or gross margin, decreased in the third quarter of fiscal 2016 primarily due to a $2.0 million net inventory charge as compared to the three months ended December 28, 2014. Gross margin increased in the nine months ended December 27, 2015 primarily due to a $8.1 million inventory charge during the nine months ended December 28, 2014.

We expect gross margins to fluctuate during future periods due to changes in product mix, average unit selling prices, manufacturing costs, manufacturing yields, amortization of acquired intangible assets, levels of inventory valuation and excess reserves recorded, if any, and levels of product demand.

Research and Development

Research and development expense primarily consists of personnel related expenses, intellectual property license costs, reference design development costs, development testing and evaluation costs, depreciation expense and allocated occupancy costs. Research and development activities include the design of new products, refinement of existing products and processes and design of test methodologies, including hardware and software to ensure compliance with required specifications. All research and development costs are expensed as incurred. We expect our research and development expenses to increase, in absolute dollar terms, to expand our product offerings and enhance existing products.

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Research and development	$ 25,690	$ 24,391	$ 70,936	$ 65,392
% of net revenue	21%	21%	21%	24%

Research and development expense for the three months ended December 27, 2015 increased by $1.3 million, or 5%, as compared to the corresponding period last year. The increase was primarily attributable to a $0.7 million increase in third-party project and contractor costs associated with new product development, a $0.5 million increase in allocated infrastructure costs to support higher headcount, a $0.2 million increase in employee compensation and benefits costs mainly due to an increase in headcount and a $0.1 million increase in depreciation costs related to increased capital equipment during the three months ended December 27, 2015. Offsetting these increases was a $0.3 million decrease in engineering equipment costs during the three months ended December 27, 2015. Research and development headcount increased to 320 at December 27, 2015 from 291 at December 28, 2014.

Research and development expense for the nine months ended December 27, 2015 increased by $5.5 million, or 8%, compared to the corresponding period last year. The increase was primarily attributable to a $6.5 million increase in employee compensation and benefits costs mainly due to an increase in headcount in part from our acquisitions of Movea and TPI, a $2.2 million increase in third party project and contractor costs associated with new product development, a $1.3 million increase in allocated infrastructure costs to support higher headcount, a $0.6 million increase in depreciation costs related to increased capital equipment, a $0.5 million increase in facility costs due to expansion of global facilities, a $0.2 million increase in travel expense and a $0.2 million increase in engineering equipment costs. Offsetting these increases was a $5.3 million credit from contingent consideration adjustment related to our acquisitions (See Note 8 to Condensed Consolidated Financial Statements). Research and development expense for nine months ended December 28, 2014 included an $0.8 million write-off of in-process research and development costs.

Selling, General and Administrative

Selling, general and administrative expense primarily consists of personnel related expenses, field application engineering support, travel costs, professional and consulting fees, legal fees, depreciation expense and allocated occupancy costs. We expect selling, general and administrative expenses to increase on an absolute basis in the future as we hire personnel to expand our sales, marketing, finance, legal and other administrative organizations.

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Selling, general and administrative	$ 14,295	$ 15,551	$ 45,305	$ 44,061
% of net revenue	12%	13%	13%	16%

Selling, general and administrative expense decreased by $1.3 million, or 8%, in the three months ended December 27, 2015 compared to the corresponding period last year. The decrease was primarily attributable to a $1.6 million decrease in outside services expenses primarily resulting from the Movea and TPI acquisition legal costs incurred in the third quarter of fiscal 2015 and a $0.3 million decrease in depreciation costs resulting from the asset disposal in the third quarter of fiscal 2015. Offsetting these decreases was a $0.4 million increase in equipment costs and a $0.2 million increase in marketing expenses. Selling, general and administrative headcount decreased to 153 at December 27, 2015 from 157 at December 28, 2014.

Selling, general and administrative expense increased by $1.2 million, or 3%, in the nine months ended December 27, 2015 compared to the corresponding period last year. The increase was primarily attributable to a $3.7 million increase in employee compensation and benefits costs mainly due to an average higher headcount in the nine months ended December 27, 2015, an increase of $0.4 million in allocated infrastructure costs, offset partially by a decrease of $2.8 million in outside expenses due primarily to legal costs resulting from the Movea and TPI acquisitions in the nine months ended December 28, 2014.

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Legal Settlement Accrual

	Three Months Ended December 27, 2015	Nine Months Ended December 27, 2015
	(in thousands)	
Legal settlement accrual	$	$ 11,708
% of net revenue	%	3%

During the nine months ended December 27, 2015, Bosch and the Company resolved all assertions of potential infringement made by the other. The settlement resulted in the Company incurring a charge of $11.7 million during the nine months ended December 27, 2015.

Interest (Expense)

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Interest (expense)	$ (2,798)	$ (2,690)	$ (8,287)	$ (7,894)
% of net revenue	2%	2%	2%	3%

Interest (expense) increased by $0.1 million and $0.4 million in the three and nine months ended December 27, 2015 as compared to the corresponding periods due to the increased accretion interest expense on the Convertible Senior Notes issued in the third quarter of fiscal year 2014.

Other Income (Expense), Net

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Other income (expense), net	$ (35)	$ (281)	$ 130	$ 1,099
% of net revenue	(0)%	(0)%	0%	0%

Other income (expense), net was $(35,000) and $(0.3) million for the three months ended December 27, 2015 and December 28, 2014, respectively. Other (expense), net decreased by $0.2 million due to higher interest income for the three months ended December 27, 2015 as compared to the corresponding period of last year. Other income (expense), net was $0.1 million and $1.1 million for the nine months ended December 27, 2015 and December 28, 2014, respectively. Other income, net decreased by $1.0 million primarily due to a $0.9 million gain on our recorded subsequent to acquisition on an equity investment in TPI during the nine months ended December 28, 2014.

Income Tax Provision

	Three Months Ended		Nine Months Ended	
	December 27, 2015	December 28, 2014	December 27, 2015	December 28, 2014
	(in thousands)			
Income tax provision (benefit)	$ 5,093	$ (2,738)	$ 3,361	$ (1,856)
% income (loss) before income tax	73%	(37)%	66%	56%

In the three and nine months ended December 27, 2015, the Company recorded an income tax provision (benefit) of $5.1 million and $3.4 million, respectively. In the three and nine months ended December 28, 2014, the Company recorded an income tax provision (benefit) of ($2.7) million and ($1.9) million respectively. The Company s estimated 2016 effective tax rate differs from the U.S. statutory rate primarily due to foreign tax differentials, a current year loss in the U.S., and was negatively affected by an increase in non-deductible stock option expense, and other deductible federal tax attributes.

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Included in our gross unrecognized tax benefits balance of $29.9 million at December 27, 2015 are $27.3 million of tax positions which would affect income tax expense if recognized. As of December 27, 2015, approximately $2.6 million of unrecognized tax benefits would be offset by a change in valuation allowance. Due to the high degree of uncertainty regarding the settlement of these liabilities, we are unable to estimate the year in which the future cash flows may occur. As a result, these amounts are not included in the tables above.

Over 90% of our revenues are derived from sales to customers located outside the U.S. A significant percentage of our pre-tax income in the three months ended December 27, 2015 and December 28, 2014 was generated internationally, primarily from our Cayman Island subsidiary, which is currently a zero tax jurisdiction. Since 2011, our Cayman Island subsidiary has procured the rights to manufacture and sell our products in non-US locations via an intercompany technology license arrangement with its U.S. parent company. In addition, the Company has not provided for U.S. federal income and foreign withholding taxes on undistributed earnings from its non-U.S. subsidiaries, as it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses, and the tax regulations in each geographic region. We expect that a large percentage of our consolidated pre-tax income will continue to be derived from, and reinvested in, our overseas operations. We anticipate that this pre-tax income will continue to be subject to foreign tax at significantly lower tax rates when compared to the United States federal statutory tax rate.

The Company had deferred tax assets related to Research and Development Credits and other tax attributes including accrued expenses and stock based compensation that can be used to offset taxable income in future periods and reduce our income taxes payable in those future periods. Realization of our deferred tax assets is dependent upon future federal, state and foreign taxable income. Many of those credit carryforwards will expire if they are not used within certain time periods. As of December 27, 2015, management determined that there is sufficient positive evidence to conclude that it is more likely than not that we will have sufficient taxable income in the future that will allow us to realize these DTAs. However, it is possible that some or all of these credits could ultimately expire unused, especially if our U.S. entity does not make a taxable profit, which has been limited mainly due to stock option deductions since the company went public. Therefore, unless we are able to generate sufficient taxable income from our U.S. operations, a substantial valuation allowance to reduce our U.S. DTAs may be required, which would materially increase our expenses in the period the allowance is recognized and materially adversely affect our results of operations and statement of financial condition. Our judgments regarding future profitability may change due to future market conditions, changes in U.S. or international tax laws and other factors. These changes, if any, may require possible material adjustments to these deferred tax assets, resulting in a reduction in net income or an increase in net loss in the period when such determinations are made.

The US Tax Court, on July 27, 2015, in Altera Corp. v. Commissioner, 145 T.C. No. 3 (2015), issued an opinion related to the portion of the Treasury regulations issued under IRC Section 482 requiring related-party participants in a cost-sharing arrangement to share stock-based compensation costs. A final decision has yet to be issued by the Tax Court due to other outstanding issues related to the case. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. We have reviewed this case and its impact on the Company and concluded that no adjustment to the consolidated financial statements is appropriate at this time. We will continue to monitor ongoing developments and potential impacts to our consolidated financial statements.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, net revenue, costs, and expenses, and any related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Changes in accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between these estimates and our actual results, our future financial statement presentation, financial condition results of operations and cash flows will be affected.

We believe that the assumptions and estimates associated with income taxes, inventory valuation, and stock-based compensation have the greatest potential impact on our condensed consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

There have been no material changes to the our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Annual Report on Form 10-K filed with the SEC on May 28, 2015.

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Liquidity and Capital Resources

As of December 27, 2015, we had $43.9 million of cash, cash equivalents and investments. We believe our current cash, cash equivalents and investments will be sufficient to satisfy our liquidity requirements for the next 12 months. Our liquidity may be negatively impacted as a result of a decline in sales of our products due to a decline in our end markets, decrease in sales of our customers products in the market, or adoption of competitors products. Additionally, $26.4 million of the $43.9 million of cash and cash equivalents were held by our foreign subsidiaries as of December 27, 2015. If these funds are needed for our operations in the United States, we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to indefinitely reinvest these funds outside of the United States, and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

Our primary uses of cash are to fund operating expenses, purchases of inventory, the acquisition of property and equipment and to pursue strategic investments or acquisitions if opportunities arise. Cash used to fund operating expenses excludes the impact of non-cash items such as depreciation, amortization and stock-based compensation and is impacted by the timing of when we pay these expenses as reflected in the change in our outstanding accounts payable and accrued expenses.

Our primary sources of cash are cash receipts on accounts receivable from our shipment of products to customers and distributors. Aside from the growth in amounts billed to our customers, net cash collections of accounts receivable are impacted by the efficiency of our cash collections process, which can vary from period to period depending on the payment cycles of our major customers and distributors.

The change in cash and cash equivalents for the nine months ended December 27, 2015 and December 28, 2014 was as follows:

	Nine Months Ended December 27, 2015	Nine Months Ended December 28, 2014
	(in thousands)	
Net cash provided by operating activities	$ 86,022	$ 15,105
Net cash provided by (used in) investing activities	(130,594)	16,113
Net cash provided by financing activities	2,812	7,814
Net increase (decrease) in cash and cash equivalents	$ (41,760)	$ 39,032

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the nine months ended December 27, 2015 of $86.0 million was primarily due to non-cash expenses of $43.6 million, a change in operating assets and liabilities of $40.6 million and a net income of $1.7 million. The non-cash expenses of $43.6 million consisted primarily of stock-based compensation of $25.9 million, depreciation and amortization of $16.3 million, non-cash interest expense of $6.0 million, deferred income tax assets of $1.6 million, partially offset by contingent consideration adjustment of $5.3 million and tax effect of employee benefit plan of $0.9 million. The changes in our net operating assets and liabilities of $40.6 million were primarily comprised of a net increase of $24.8 million in Accounts payable and Accrued liabilities mainly due to price discounts to a customer, a decrease of $13.4 million in Inventories and a decrease of $2.2 million in Prepaid and other current assets .

Net cash provided by operating activities for the nine months ended December 28, 2014 of $15.1 million is primarily due to non-cash expenses of $35.9 million partially offset by a net decrease in operating assets and liabilities of $19.4 million and a net loss of $1.5 million. The non-cash expenses of $35.9 million consisted primarily of stock-based compensation of $22.9 million, depreciation and amortization of $12.3 million, non-cash interest expense of $5.6 million, partially offset by deferred income tax assets of $5.2 million. The net decrease in operating assets and liabilities of $19.4 million consisted primarily of increases in Accounts receivable of $34.3 million, partially offset by increases in Accrued liabilities of $8.2 million and decreases in Inventories of $5.2 million. The increase in Accounts receivable is primarily attributable to an increase in net revenue.

Net Cash Provided By (Used In) Investing Activities

Net cash used in investing activities in the nine months ended December 27, 2015 of $130.6 million primarily reflected the purchase of available-for-sale investments of $239.3 million and the purchase of property and equipment of $6.2 million, partially offset by the sale and maturity of available-for-sale investments of $114.9 million.

Net cash provided by investing activities in the nine months ended December 28, 2014 of $16.1 million was primarily from the sale and maturity of available-for-sale investments of $112.7 million, partially offset by cash paid for acquisitions of $71.3 million (net of cash acquired), and purchase of property and equipment of $25.3 million.

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Net Cash Provided by Financing Activities

Net cash provided by financing activities in the nine months ended December 27, 2015 of $2.8 million resulted primarily from proceeds from the issuance of common stock of $4.7 million partially offset by certain payments of contingent consideration related to the TPI acquisition of $1.9 million.

Net cash provided by financing activities in the nine months ended December 28, 2014 of $7.9 million resulted primarily from the proceeds from the issuance of common stock on stock options exercises and ESPP purchases.

Off Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities of financial partnerships, such as entities often referred to as structured finance or special purpose entities, or SPEs, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of December 27, 2015, we were not involved in any unconsolidated SPE transactions.

Warranties and Indemnification

In connection with the sale of our products in the ordinary course of business, we often make representations affirming, among other things, that our products do not infringe on the intellectual property rights of others, and agree to indemnify customers against third-party claims for such infringement. Further, our certificate of incorporation and bylaws require us to indemnify our officers and directors against any action that may arise out of their services in that capacity. We have not been subject to any material liabilities under such provisions and therefore believe that our exposure for these indemnification obligations is minimal. Accordingly, we have no liabilities recorded for these indemnity agreements as of December 27, 2015.

Contractual Obligations

The following table summarizes our outstanding contractual obligations as of December 27, 2015:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(in thousands)				
Convertible senior notes obligations	$ 175,000	$	$ 175,000		$
Interest on convertible senior notes obligations	8,708	2,878	5,830		
Operating lease obligations	26,226	4,960	12,662	7,794	810
Purchase obligations	44,016	44,016			
Total contractual obligations	$ 253,950	$ 51,854	$ 193,492	$ 7,794	$ 810

Convertible senior notes and interest on convertible senior notes obligations relate to the convertible senior notes issued in November 2013. See Note 5 to the Consolidated Financial Statements included in the Annual Report on Form 10-K for a full description of the convertible senior notes.

Operating leases consist of contractual obligations from agreements for non-cancelable office space, net of future minimum lease income. Minimum sublease income from third parties was approximately $0.4 million and $1.1 million for the three and nine months ended December 27, 2015. In the event of the failure of a third party to comply with its obligations under the subleases, we remain contractually obligated, as primary lessee, under the lease.

Purchase obligations consist of the minimum purchase commitments made to contract manufacturers.

Included in our gross unrecognized tax benefits balance of $29.9 million at December 27, 2015 are $27.3 million of tax positions which would affect income tax expense if recognized. As of December 27, 2015, approximately $2.6 million of unrecognized tax benefits would be offset by a change in valuation allowance. Due to the high degree of uncertainty regarding the settlement of these liabilities, we are unable to estimate the year in which the future cash flows may occur. As a result, these amounts are not included in the tables above.

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Recent Accounting Pronouncements

The information set forth under Note 1 Organization and Summary of Significant Accounting Policies of the Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Quarterly Report, is hereby incorporated by reference herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting InvenSense, see Quantitative and Qualitative Disclosures About Market Risk in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended March 29, 2015. Our exposure to market risk has not changed materially since March 29, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item 1 of Part II is set forth under Note 4 Commitments and Contingencies of the Notes to Condensed Consolidated Financial Statements, included in Part I, Item 1 of this Quarterly Report, and is hereby incorporated by reference herein.

ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock. The risks facing our business have not changed materially from those discussed in our Annual Report on Form 10-K for the fiscal year ended March 29, 2015.

ITEM 6. EXHIBITS

The information required by this Item 6 of Part II is set forth in the Exhibit Index immediately following the signature page of this Quarterly Report, and is hereby incorporated by reference herein.

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SIGNATURES

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

Dated: January 28, 2016

INVENSENSE, INC.

By: /s/ Mark P. Dentinger
Mark P. Dentinger
Chief Financial Officer (Principal Financial Officer and Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
10.1	InvenSense, Inc. 2013 Employee Stock Purchase Plan, as amended (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 15, 2015).
31.1	Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Balance Sheets as of December 27, 2015 and March 29, 2015, (ii) Condensed Consolidated Statements of Operations for the three and nine months ended December 27, 2015 and December 28, 2014, (iii) Condensed Consolidated Statements of Comprehensive loss for three and nine months ended December 27, 2015 and December 28, 2014, (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended December 27, 2015 and December 28, 2014, and (v) Notes to Condensed Consolidated Financial Statements.