BELDEN INC.
Form 10-Q
August 11, 2010

Table of Contents

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended July 4, 2010
Commission File No. 001-12561

BELDEN INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-3601505**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7733 Forsyth Boulevard, Suite 800
St. Louis, Missouri 63105
(Address of principal executive offices)
(314) 854-8000
Registrant s telephone number, including area code

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 þ No o.

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

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

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

As of August 9, 2010, the Registrant had 46,812,126 outstanding shares of common stock.

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION
- Item 1. Financial Statements
- Item 2: Management s Discussion and Analysis of Financial Condition and Results of Operations
- Item 3: Quantitative and Qualitative Disclosures about Market Risks
- Item 4: Controls and Procedures

PART II OTHER INFORMATION
- Item 1: Legal Proceedings
- Item 1A: Risk Factors
- Item 6: Exhibits

EX-10.1
EX-10.2
EX-31.1
EX-31.2
EX-32.1
EX-32.2
EX-101 INSTANCE DOCUMENT
EX-101 SCHEMA DOCUMENT
EX-101 CALCULATION LINKBASE DOCUMENT
EX-101 LABELS LINKBASE DOCUMENT
EX-101 PRESENTATION LINKBASE DOCUMENT
EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

PART I FINANCIAL INFORMATION
Item 1. Financial Statements
BELDEN INC.
CONSOLIDATED BALANCE SHEETS

	July 4, 2010 (Unaudited)	December 31, 2009
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 245,615	$ 308,879
Receivables, net	291,372	242,145
Inventories, net	154,983	151,262
Deferred income taxes	26,705	26,996
Other current assets	24,104	35,036
Total current assets	742,779	764,318
Property, plant and equipment, less accumulated depreciation	275,119	299,586
Goodwill	302,524	313,030
Intangible assets, less accumulated amortization	128,458	143,013
Deferred income taxes	35,723	37,205
Other long-lived assets	69,076	63,426
	$ 1,553,679	$ 1,620,578
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 192,455	$ 169,763
Accrued liabilities	126,822	141,922
Current maturities of long-term debt		46,268
Total current liabilities	319,277	357,953
Long-term debt	548,769	543,942
Postretirement benefits	111,894	121,745
Other long-term liabilities	41,039	45,890
Stockholders equity:		
Preferred stock		
Common stock	503	503
Additional paid-in capital	595,009	591,917
Retained earnings	99,276	72,625
Accumulated other comprehensive income (loss)	(36,648)	14,614
Treasury stock	(125,440)	(128,611)

Total stockholders equity	532,700	551,048
	$ 1,553,679	$ 1,620,578

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

Table of Contents

BELDEN INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Six Months Ended	
	July 4, 2010	June 28, 2009	July 4, 2010	June 28, 2009
	(In thousands, except per share data)			
Revenues	$ 426,140	$ 343,821	$ 826,489	$ 672,333
Cost of sales	(300,343)	(235,303)	(582,284)	(479,622)
Gross profit	125,797	108,518	244,205	192,711
Selling, general and administrative expenses	(74,523)	(67,579)	(148,383)	(144,276)
Research and development	(13,400)	(14,122)	(28,197)	(30,677)
Amortization of intangibles	(4,140)	(3,911)	(8,406)	(7,776)
Income from equity method investment	3,211	695	5,852	1,985
Asset impairment		(1,453)		(26,176)
Loss on sale of assets		(17,184)		(17,184)
Operating income (loss)	36,945	4,964	65,071	(31,393)
Interest expense	(14,187)	(8,895)	(27,133)	(16,218)
Interest income	136	238	319	602
Other income (expense)	1,465		1,465	(1,541)
Income (loss) from continuing operations before taxes	24,359	(3,693)	39,722	(48,550)
Income tax benefit (expense)	(4,532)	(1,193)	(8,012)	11,210
Income (loss) from continuing operations	19,827	(4,886)	31,710	(37,340)
Loss from discontinued operations, net of tax	(155)		(291)	
Net income (loss)	$ 19,672	$ (4,886)	$ 31,419	$ (37,340)
Weighted average number of common shares and equivalents:				
Basic	46,779	46,587	46,737	46,557
Diluted	47,788	46,587	47,647	46,557
Basic income (loss) per share				
Continuing operations	$ 0.42	$ (0.10)	$ 0.68	$ (0.80)
Discontinued operations			(0.01)	
Net income (loss)	$ 0.42	$ (0.10)	$ 0.67	$ (0.80)
Diluted income (loss) per share				
Continuing operations	$ 0.41	$ (0.10)	$ 0.67	$ (0.80)
Discontinued operations			(0.01)	

Net income (loss)	$	0.41	$	(0.10)	$	0.66	$	(0.80)
Dividends declared per share	$	0.05	$	0.05	$	0.10	$	0.10

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

-2-

Table of Contents

BELDEN INC.
CONSOLIDATED CASH FLOW STATEMENTS
(Unaudited)

	Six Months Ended	
	July 4, 2010	**June 28, 2009**
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 31,419	$ (37,340)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	28,676	26,842
Asset impairment		26,176
Loss on sale of assets		17,184
Share-based compensation	6,588	4,719
Non-cash loss on derivatives and hedging instruments	2,749	
Provision for inventory obsolescence	1,752	4,273
Tax deficiency related to share-based compensation	210	1,469
Amortization of discount on long-term debt	208	
Income from equity method investment	(5,852)	(1,985)
Pension funding in excess of pension expense	(2,700)	(6,452)
Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses:		
Receivables	(61,382)	42,655
Deferred cost of sales	4,896	35
Inventories	(11,326)	42,161
Accounts payable	27,182	(15,669)
Accrued liabilities	554	(25,931)
Deferred revenue	(11,262)	782
Accrued taxes	(5,267)	(16,558)
Other assets	6,742	3,434
Other liabilities	(7,674)	3,539
Net cash provided by operating activities	5,513	69,334
Cash flows from investing activities:		
Capital expenditures	(12,705)	(18,342)
Proceeds from disposal of tangible assets	2,332	367
Cash provided by other investing activities	163	
Net cash used for investing activities	(10,210)	(17,975)
Cash flows from financing activities:		
Payments under borrowing arrangements	(46,268)	
Cash dividends paid	(4,712)	(4,707)
Debt issuance costs		(1,541)
Tax deficiency related to share-based compensation	(210)	(1,469)
Proceeds from exercise of stock options	634	23
Net cash used for financing activities	(50,556)	(7,694)

Effect of foreign currency exchange rate changes on cash and cash equivalents	(8,011)		3,562
Increase (decrease) in cash and cash equivalents	(63,264)		47,227
Cash and cash equivalents, beginning of period	308,879		227,413
Cash and cash equivalents, end of period	$ 245,615	$	274,640

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

Table of Contents

BELDEN INC.
CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT
SIX MONTHS ENDED JULY 4, 2010
(Unaudited)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Accumulated Other Comprehensive Income (Loss)		
							Translation Component of	Pension and Postretirement	
	Shares	Amount	Capital	Earnings	Shares	Amount	Equity	Liability	Total
					(In thousands)				
Balance at December 31, 2009	50,335	$ 503	$ 591,917	$ 72,625	(3,675)	$ (128,611)	$ 58,060	$ (43,446)	$ 551,048
Net income				31,419					31,419
Foreign currency translation							(51,262)		(51,262)
Comprehensive loss									(19,843)
Exercise of stock options, net of tax withholding forfeitures			(400)		43	909			509
Release of restricted stock, net of tax withholding forfeitures			(2,902)		105	2,262			(640)
Share-based compensation			6,378						6,378
Dividends ($0.10 per share)			16	(4,768)					(4,752)
Balance at July 4, 2010	50,335	$ 503	$ 595,009	$ 99,276	(3,527)	$ (125,440)	$ 6,798	$ (43,446)	$ 532,700

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

Table of Contents

BELDEN INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements include Belden Inc. and all of its subsidiaries (the Company, us, we, or our). We eliminate all significant affiliate accounts and transactions in consolidation.

The accompanying Consolidated Financial Statements presented as of any date other than December 31, 2009:

Are prepared from the books and records without audit, and

Are prepared in accordance with the instructions for Form 10-Q and do not include all of the information required by accounting principles generally accepted in the United States for complete statements, but

Include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial statements.

These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2009 Annual Report on Form 10-K.

Business Description

We design, manufacture, and market cable, connectivity, and networking products in markets including industrial automation, enterprise, transportation, infrastructure, and consumer electronics.

Reporting Periods

Historically, our fiscal first, second and third quarters each ended on the last Sunday falling on or before their respective calendar quarter-end. Beginning in 2010, our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31. Our fiscal second and third quarters continue to fall on the Sunday which is 91 days after the preceding quarter-end. Our fiscal year and fiscal fourth quarter continue to both end on December 31.

The six months ended July 4, 2010 and June 28, 2009 included 185 and 179 calendar days, respectively.

Reclassifications

We have made certain reclassifications to the 2009 Consolidated Financial Statements with no impact to reported net income (loss) in order to conform to the 2010 presentation.

Fair Value Measurement

Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Table of Contents

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets, or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

As of and during the three and six months ended July 4, 2010 and June 28, 2009, we utilized Level 1 inputs to determine the fair value of cash equivalents, and we utilized Level 2 inputs to determine the fair value of certain long-lived assets (see Note 5) and derivatives and hedging instruments (see Note 8). We did not have any transfers between Level 1 and Level 2 fair value measurements during the three and six months ended July 4, 2010.

Cash and Cash Equivalents

We classify cash on hand and deposits in banks, including commercial paper, money market accounts, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. We periodically have cash equivalents consisting of short-term money market funds and other investments. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations. We do not enter into investments for trading or speculative purposes. The fair value of these cash equivalents as of July 4, 2010 was $97.9 million and is based on quoted market prices in active markets (i.e., Level 1 valuation).

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable. We accrue environmental remediation costs, on an undiscounted basis, based on estimates of known environmental remediation exposures developed in consultation with our environmental consultants and legal counsel. We are, from time to time, subject to routine litigation incidental to our business. These lawsuits primarily involve claims for damages arising out of the use of our products, allegations of patent or trademark infringement, and litigation and administrative proceedings involving employment matters and commercial disputes. Based on facts currently available, we believe the disposition of the claims that are pending or asserted will not have a materially adverse effect on our financial position, results of operations or cash flow.

As of July 4, 2010, we were party to bank guaranties, standby letters of credit, and surety bonds totaling $10.1 million, $9.2 million, and $1.6 million, respectively.

Revenue Recognition

We recognize revenue when all of the following circumstances are satisfied: (1) persuasive evidence of an arrangement exists, (2) price is fixed or determinable, (3) collectibility is reasonably assured, and (4) delivery has occurred. Delivery occurs in the period in which the customer takes title and assumes the risks and rewards of ownership of the products specified in the customer s purchase order or sales agreement. We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We charge revisions to these estimates to accounts receivable and revenue in the period in which the facts that give rise to each revision become known.

Table of Contents

In October 2009, the Financial Accounting Standards Board (FASB) issued updates to existing guidance on revenue recognition that we adopted on a prospective basis on January 1, 2010. Under the new guidance, sales of tangible products that have software components that are essential to the functionality of the tangible product are no longer within the scope of the software revenue recognition guidance and are now subject to other relevant revenue recognition guidance. Additionally, the FASB issued an update to existing guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when Vendor Specific Objective Evidence (VSOE) or Third Party Evidence (TPE) of the selling price for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method.

Sales from our Wireless segment often involve multiple elements, principally hardware, software, hardware and software maintenance, and other support services (maintenance and other support services referred to as post-contract customer support). As a result of the adoption of the new accounting guidance, our Wireless segment s sales of hardware that include software components are no longer subject to software revenue recognition requirements. In addition, the timing of revenue recognition and amount of revenue to be recognized for each deliverable changed such that less revenue is deferred on arrangements with multiple deliverables for which VSOE has not been established than prior to the adoption of this accounting guidance. For hardware deliverables, revenue is recognized upon delivery. For software deliverables, revenue is recognized upon delivery, unless post-contract customer support is included, in which case the revenue is deferred and recognized over the period of the post-contract customer support. For post-contract customer support, revenue is recognized ratably over the maintenance or support period. The recognition period for the majority of our arrangements is one year. However, the recognition period can range up to three years in some instances. The allocation of the total revenue among the delivered items is based on the estimated selling price of the deliverables, as we have not established VSOE or TPE of selling price. The best estimate of the selling price for each deliverable is determined based on an analysis of the historical average price of such deliverable when sold on a stand-alone basis.

For fiscal years ending December 31, 2009 and prior, when a sale involved multiple elements, we allocated the proceeds from the arrangement to each respective element based on its VSOE of fair value, if established, and recognized revenue when each element s revenue recognition criteria was met. VSOE of fair value for each element is established based on the price charged when the same element is sold separately. If VSOE of fair value could not be established, the proceeds from the arrangement were deferred and recognized ratably over the period related to the last delivered element. Through December 31, 2009, our Wireless segment could not establish VSOE of fair value of hardware, software, and post-contract customer support. As a result, the proceeds and related cost of sales from multiple-element revenue transactions involving these elements were deferred and recognized ratably over the post-contract customer support period, ranging from one to three years.

Our Wireless segment revenues and operating loss for the three months ended July 4, 2010 would have been $12.3 million and $4.4 million, respectively, prior to the adoption of this new accounting guidance. Our Wireless segment revenues and operating loss for the six months ended July 4, 2010 would have been $24.5 million and $9.7 million, respectively, prior to the adoption of this new accounting guidance. See Note 2 for actual operating results.

The following table shows the amount of deferred revenue and cost of sales related to our Wireless segment as of July 4, 2010 and December 31, 2009.

Table of Contents

	July 4, 2010	December 31, 2009
	(in thousands)	
Deferred revenue:		
Current	$ 9,280	$ 19,249
Long-term	2,188	3,481
Total	11,468	22,730
Deferred cost of sales:		
Current	2,727	7,119
Long-term	683	1,187
Total	3,410	8,306
Deferred gross profit		
Current	6,553	12,130
Long-term	1,505	2,294
Total	$ 8,058	$ 14,424

Discontinued Operations

During 2005, we completed the sale of our discontinued communications cable operation in Phoenix, Arizona. In connection with this sale and the related tax deductions, we established a reserve for uncertain tax positions. In the three and six month periods ended July 4, 2010, we recognized $0.3 million and $0.5 million of interest expense, respectively ($0.2 million and $0.3 million net of tax, respectively) related to the uncertain tax positions, which is included in discontinued operations. Due to the utilization of other net operating loss carryforwards, we did not recognize interest expense related to this reserve in the comparable periods of 2009.

Other Income (Expense)

During the six months ended July 4, 2010, we recorded $1.5 million of other income related to an escrow settlement. The escrow settlement related to indemnification for certain tax matters arising from a previous acquisition. During the six months ended June 28, 2009, we recorded $1.5 million of other expense due to fees incurred related to an amendment of our senior secured credit facility, as discussed in Note 7.

Subsequent Events

We have evaluated subsequent events after the balance sheet date through the financial statement issuance date for appropriate accounting and disclosure.

Current-Year Adoption of Accounting Pronouncements

On January 1, 2010, we adopted changes issued by the FASB with regard to the disclosures of fair value measurements. This new guidance requires disclosures about transfers into and out of Level 1 and 2 fair value measurements, as well as separate disclosures about purchases, sales, issuances, and settlements relating to recurring Level 3 fair value measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The adoption of this guidance did not have a material impact on our disclosures.

Table of Contents

Refer to the discussion above under Revenue Recognition for an analysis of the adoption of other new accounting guidance.

Note 2: Operating Segments

We conduct our operations through four reported operating segments Americas; Europe, Middle East and Africa (EMEA); Asia Pacific; and Wireless.

	Americas	EMEA	Asia Pacific (In thousands)	Wireless	Total Segments
Three Months Ended July 4, 2010					
Total assets	$493,233	$396,425	$263,908	$106,305	$1,259,871
External customer revenues	236,923	92,193	81,447	15,577	426,140
Affiliate revenues	12,133	17,880	62		30,075
Operating income (loss)	34,159	19,314	9,927	(2,665)	60,735
Three Months Ended June 28, 2009					
Total assets	$526,580	$495,276	$229,645	$123,408	$1,374,909
External customer revenues	186,734	86,237	57,616	13,234	343,821
Affiliate revenues	10,888	13,109			23,997
Operating income (loss)	33,521	(12,685)	8,262	(7,978)	21,120
Six Months Ended July 4, 2010					
Total assets	$493,233	$396,425	$263,908	$106,305	$1,259,871
External customer revenues	454,852	182,743	157,392	31,502	826,489
Affiliate revenues	24,870	32,623	62		57,555
Operating income (loss)	65,516	33,894	17,453	(5,834)	111,029
Six Months Ended June 28, 2009					
Total assets	$526,580	$495,276	$229,645	$123,408	$1,374,909
External customer revenues	368,944	174,298	103,854	25,237	672,333
Affiliate revenues	18,879	25,582			44,461
Operating income (loss)	58,179	(54,640)	11,596	(16,300)	(1,165)

The following table is a reconciliation of the total of the reportable segments operating income (loss) to consolidated income (loss) from continuing operations before taxes.

Table of Contents

	Three Months Ended		Six Months Ended	
	July 4, 2010	**June 28, 2009**	**July 4, 2010**	**June 28, 2009**
	(In thousands)			
Segment operating income (loss)	$ 60,735	$ 21,120	$ 111,029	$ (1,165)
Corporate expenses	(13,272)	(9,310)	(26,176)	(17,667)
Eliminations	(10,518)	(6,846)	(19,782)	(12,561)
Total operating income (loss)	36,945	4,964	65,071	(31,393)
Interest expense	(14,187)	(8,895)	(27,133)	(16,218)
Interest income	136	238	319	602
Other income (expense)	1,465		1,465	(1,541)
Income (loss) from continuing operations before taxes	$ 24,359	$ (3,693)	$ 39,722	$ (48,550)

Table of Contents

Note 3: Income (Loss) per Share

The following table presents the basis for the income (loss) per share computations:

	Three Months Ended		Six Months Ended	
	July 4, 2010	June 28, 2009	July 4, 2010	June 28, 2009
	(in thousands, except per share amounts)			
Numerator:				
Income (loss) from continuing operations	$ 19,827	$ (4,886)	$ 31,710	$ (37,340)
Loss from discontinued operations, net of tax	(155)		(291)	
Net income (loss)	$ 19,672	$ (4,886)	$ 31,419	$ (37,340)
Denominator:				
Weighted average shares outstanding, basic	46,779	46,587	46,737	46,557
Effect of dilutive common stock equivalents	1,009		910	
Weighted average shares outstanding, diluted	47,788	46,587	47,647	46,557

For the three and six months ended July 4, 2010, diluted weighted average shares outstanding do not include outstanding equity awards of 1.6 million and 1.4 million, respectively, because to do so would have been anti-dilutive. For the three and six months ended June 28, 2009, diluted weighted average shares outstanding do not include outstanding equity awards of 3.5 million and 3.2 million, respectively, because to do so would have been anti-dilutive.

Note 4: Inventories

The major classes of inventories were as follows:

	July 4, 2010	December 31, 2009
	(In thousands)	
Raw materials	$ 55,369	$ 50,973
Work-in-process	34,189	31,977
Finished goods	81,620	84,689
Perishable tooling and supplies	4,063	4,081
Gross inventories	175,241	171,720
Obsolescence and other reserves	(20,258)	(20,458)
Net inventories	$ 154,983	$ 151,262

Note 5: Long-Lived Assets

Disposals

During the six months ended July 4, 2010, we sold certain real estate of the EMEA segment for $1.8 million. There was no gain or loss recognized on the sale.

During the six months ended June 28, 2009, we sold a 95% ownership interest in a German cable business that sells primarily to the automotive industry. The sales price was $0.4 million, and we recognized a loss of $17.2 million on the transaction. In addition to retaining a 5% interest in the business,

Table of Contents

we retained the associated land and building, which we are leasing to the buyer. The lease term is 15 years with a lessee option to renew up to an additional 10 years. During the three months ended July 4, 2010, we sold the remaining 5% interest in the business for less than $0.1 million. There was no gain or loss recognized on the sale of the remaining 5% interest.

Impairments

We did not record any asset impairment losses during the three and six months ended July 4, 2010.

During the six months ended June 28, 2009, we determined that certain long-lived assets of the German cable business we sold during that period were impaired. We estimated the fair market value of those assets based upon the terms of the sales agreement and recognized an impairment loss of $20.4 million in the operating results of the EMEA segment. Of this total impairment loss, $14.1 million related to machinery and equipment and $2.7 million, $2.3 million, and $1.3 million related to trademarks, developed technology, and customer relations intangible assets, respectively. We also recognized impairment losses on property, plant and equipment of $3.6 million, $1.2 million, and $1.0 million in the Americas, EMEA, and Asia Pacific segments, respectively, primarily related to our decisions to consolidate capacity and dispose of excess machinery and equipment. The fair values of those assets were based upon quoted prices for identical assets (i.e., Level 2 valuation).

Depreciation and Amortization Expense

We recognized depreciation expense of $9.9 million and $20.3 million in the three and six month periods ended July 4, 2010, respectively. We recognized depreciation expense of $9.7 million and $19.0 million in the three and six month periods ended June 28, 2009, respectively.

We recognized amortization expense related to our intangible assets of $4.1 million and $8.4 million in the three and six month periods ended July 4, 2010, respectively. We recognized amortization expense related to our intangible assets of $3.9 million and $7.8 million in the three and six month periods ended June 28, 2009, respectively.

Note 6: Restructuring Activities

Global Restructuring

In the fourth quarter of 2008, we announced our decision to streamline our manufacturing, sales, and administrative functions worldwide in an effort to reduce costs and mitigate the impact of the weakening demand experienced throughout the global economy. During 2010, we continued to implement our plan to streamline these functions and recognized severance costs primarily in the Americas segment totaling $1.1 million (recorded in Cost of Sales) related to these restructuring activities and the planned closure of one of our two manufacturing plants in Leominster, Massachusetts. From inception of these restructuring actions through July 4, 2010, we have recognized severance costs totaling $55.8 million. We do not expect to recognize any additional severance costs related to these restructuring activities.

The table below sets forth severance activity that occurred during 2010. The balances are included in accrued liabilities.

Table of Contents

	Global Restructuring (In thousands)
Balance at December 31, 2009	$ 12,260
New charges	321
Cash payments	(5,373)
Foreign currency translation	(629)
Other adjustments	(83)
Balance at April 4, 2010	6,496
New charges	783
Cash payments	(2,227)
Foreign currency translation	(630)
Other adjustments	(585)
Balance at July 4, 2010	$ 3,837

We continue to review our business strategies and evaluate potential new restructuring actions. This could result in additional restructuring costs in future periods.

Note 7: Long-Term Debt and Other Borrowing Arrangements

Senior Subordinated Notes

In the third quarter of 2009, we issued $200.0 million in senior subordinated notes due 2019 with a coupon interest rate of 9.25% and an effective interest rate of 9.75%. The notes are guaranteed on a senior subordinated basis by certain of our domestic subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2017 and with any future senior subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Interest is payable semi-annually on June 15 and December 15. We used the $193.7 million in proceeds of this debt offering to repay amounts drawn under our senior secured credit facility. As of July 4, 2010, the carrying value of the notes was $198.8 million. See Note 8 for a discussion of changes to the carrying value of the notes due to hedge accounting.

We also have outstanding $350.0 million aggregate principal amount of 7.0% senior subordinated notes due 2017. The notes are guaranteed on a senior subordinated basis by certain of our domestic subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2019 and with any future senior subordinated debt. They are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Interest is payable semi-annually on March 15 and September 15.

Senior Secured Credit Facility

In the first quarter of 2009, we amended our senior secured credit facility and changed the definition of EBITDA used in the computation of the debt-to-EBITDA leverage ratio covenant. The amendment also increased the cost of borrowings under the facility by 100 basis points and we incurred $1.5 million of fees that are included in other expense in the Consolidated Statements of Operations. In the third quarter of 2009, we further amended the facility to extend the term from January 2011 to January 2013 and to reduce the size from $350.0 million to $250.0 million through January 2011. In January 2011, the size of the facility reduces from $250.0 million to $230.0 million. The amendment also alters the level of the total leverage ratio covenant, increases the cost of borrowing under the facility, and inserts an asset coverage ratio covenant when the total leverage ratio is in excess of certain levels. As of July 4, 2010, we were in compliance with all of the amended covenants of the facility.

As of July 4, 2010, there were no outstanding borrowings under the facility, and we had $171.9 million in available borrowing capacity. The facility has a variable interest rate based on LIBOR or the prime rate and is secured by our overall cash flow and certain of our assets in the United States.

Fair Value of Long-Term Debt

The fair value of our debt instruments at July 4, 2010 was approximately $543.7 million based on sales prices of the debt instruments from recent trading activity. This amount represents the fair value of our senior subordinated notes with an aggregate principal amount of $550.0 million.

Note 8: Derivatives and Hedging Activities

We are exposed to various market risks, including fluctuations in interest rates. We use interest rate agreements to manage our costs and reduce our exposure to interest rate risk. We manage our exposure to interest rate risk by maintaining a mix of fixed and variable rate debt. During the quarter ended July 4, 2010, we entered into $200.0 million notional amount of interest rate swap agreements that expire in 2019. The interest rate swaps are receive-fixed, pay-variable rate, and they allowed us to adjust our relative proportion of fixed and floating rate debt. We also entered into a separate $200.0 million notional amount interest rate cap agreement, which caps the variable rate that we are exposed to in the interest rate swaps. We do not hold or issue any derivative instrument for trading or speculative purposes.

These agreements, which represent our derivative instruments, expose us to credit risk to the extent that the counterparties to our interest rate agreements may be unable to meet the terms of the agreements. We seek to mitigate such risks by limiting the counterparties to major financial institutions and by executing our agreements across multiple counterparties.

The interest rate swaps have been formally designated and qualify as fair value hedges. We perform a quarterly assessment of the effectiveness of the hedge relationship, and we measure and recognize any hedge ineffectiveness in earnings. The interest rate swaps have been recorded at fair value in the Consolidated Balance Sheets. Gains and losses due to changes in fair value of the interest rate swaps substantially offset changes in the fair value of the hedged portion of the underlying debt. Changes in fair value of both the interest rate swaps and the hedged portion of the underlying debt both are recognized in interest expense in the Consolidated Statements of Operations.

The interest rate cap has not been designated as a hedging instrument. It has been recorded at fair value in the Consolidated Balance Sheets, and changes in fair value of the interest rate cap are recognized in interest expense in the Consolidated Statements of Operations.

All cash flows associated with derivatives are classified as operating cash flows in the Consolidated Statements of Cash Flows.

The fair value of our derivatives designated as hedging instruments as of July 4, 2010 was $3.6 million, classified within other non-current assets within the Consolidated Balance Sheets. The fair value of our derivatives without hedging designation as of July 4, 2010 was $1.8 million, classified within other non-current liabilities within the Consolidated Balance Sheets. There were no outstanding derivatives as of December 31, 2009.

Table of Contents

The gains (losses) for the three and six month periods ended July 4, 2010 attributed to our derivatives designated as hedging instruments are summarized in the table below:

Income Statement Classification	Gain/(loss) on interest rate swaps	Gain/(loss) on borrowings
	(in thousands)	
Interest Expense	$3,625	$ (4,619)

The difference between the gain on the interest rate swaps and the loss on borrowings represents hedge ineffectiveness of $1.0 million.

The loss for the three and six month periods ended July 4, 2010 attributed to our interest rate cap, our derivative without hedging designation, was $1.8 million, classified within interest expense within the Consolidated Statements of Operations.

There were no gains (losses) related to derivatives and hedging instruments for the three and six month periods ended June 28, 2009.

Interest rate derivatives are valued using a present value calculation based on an implied 3-month forward LIBOR curve (adjusted for non-performance risk) and are classified within level 2 of the fair value hierarchy.

Note 9: Income Taxes

Income tax expense was $4.5 million and $8.0 million for the three and six month periods ended July 4, 2010. The effective rate reflected in the provision for income taxes on income from continuing operations before taxes is 18.6% and 20.2% for the three and six month periods ended July 4, 2010. The primary factor in the difference between the effective rate and the amount determined by applying the applicable statutory United States tax rate of 35% is the tax rate differential associated with our foreign earnings.

Note 10: Pension and Other Postretirement Obligations

The following table provides the components of net periodic benefit costs for our pension plans:

Table of Contents

	Pension Obligations		Other Postretirement Obligations	
	July 4, 2010	June 28, 2009	July 4, 2010	June 28, 2009
	(In thousands)			
Three Months Ended				
Service cost	$ 1,304	$ 751	$ 25	$ 17
Interest cost	3,031	2,608	632	733
Expected return on plan assets	(2,974)	(2,143)		
Amortization of prior service cost	4	18	(54)	(74)
Net loss recognition	574	744	58	44
Net periodic benefit cost	$ 1,939	$ 1,978	$ 661	$ 720
Six Months Ended				
Service cost	$ 3,164	$ 2,577	$ 50	$ 47
Interest cost	7,257	6,348	1,258	1,295
Expected return on plan assets	(7,298)	(6,207)		
Amortization of prior service cost	20	46	(107)	(122)
Net loss recognition	1,518	1,286	116	214
Net periodic benefit cost	$ 4,661	$ 4,050	$ 1,317	$ 1,434

Note 11: Comprehensive Income (Loss)

The following table summarizes total comprehensive income (loss):

	Three Months Ended		Six Months Ended	
	July 4, 2010	June 28, 2009	July 4, 2010	June 28, 2009
	(In thousands)			
Net income (loss)	$ 19,672	$ (4,886)	$ 31,419	$ (37,340)
Foreign currency translation gain (loss)	(29,156)	24,010	(51,262)	5,880
Total comprehensive income (loss)	$ (9,484)	$ 19,124	$ (19,843)	$ (31,460)

Note 12: Supplemental Guarantor Information

As of July 4, 2010, Belden Inc. (the Issuer) has outstanding $550.0 million aggregate principal amount senior subordinated notes. The notes rank equal in right of payment with any of our future senior subordinated debt. The notes are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our senior secured credit facility. Belden Inc. and its current and future material domestic subsidiaries have fully and unconditionally guaranteed the notes on a joint and several basis. The following consolidating financial information presents information about the Issuer, guarantor subsidiaries and non-guarantor subsidiaries. Investments in subsidiaries are accounted for on the equity basis. Intercompany transactions are eliminated.

Table of Contents

Supplemental Condensed Consolidating Balance Sheets

	Issuer	Guarantor Subsidiaries	July 4, 2010 Non-Guarantor Subsidiaries (In thousands)	Eliminations	Total
		ASSETS			
Current assets:					
Cash and cash equivalents	$ 79,585	$ 17,365	$ 148,665	$	$ 245,615
Receivables, net	3	88,795	202,574		291,372
Inventories, net		93,005	61,978		154,983
Deferred income taxes		22,188	4,517		26,705
Other current assets	4,408	10,882	8,814		24,104
Total current assets	83,996	232,235	426,548		742,779
Property, plant and equipment, less accumulated depreciation		115,775	159,344		275,119
Goodwill		242,620	59,904		302,524
Intangible assets, less accumulated amortization		77,538	50,920		128,458
Deferred income taxes		16,436	19,287		35,723
Other long-lived assets	16,192	2,088	50,796		69,076
Investment in subsidiaries	899,334	268,632		(1,167,966)	
	$ 999,522	$ 955,324	$ 766,799	$ (1,167,966)	$ 1,553,679
		LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:					
Accounts payable	$	$ 78,049	$ 114,406	$	$ 192,455
Accrued liabilities	16,366	47,740	62,716		126,822
Total current liabilities	16,366	125,789	177,122		319,277
Long-term debt	548,769				548,769
Postretirement benefits		34,137	77,757		111,894
Other long-term liabilities	29,464	4,999	6,576		41,039
Intercompany accounts	329,819	(602,043)	272,224		
Total stockholders equity	75,104	1,392,442	233,120	(1,167,966)	532,700
	$ 999,522	$ 955,324	$ 766,799	$ (1,167,966)	$ 1,553,679

-17-

Table of Contents

	December 31, 2009				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
	(In thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	$ 49,878	$ 8,977	$ 250,024	$	$ 308,879
Receivables, net	21	69,444	172,680		242,145
Inventories, net		86,960	64,302		151,262
Deferred income taxes		22,188	4,808		26,996
Other current assets	5,179	13,825	16,032		35,036
Total current assets	55,078	201,394	507,846		764,318
Property, plant and equipment, less accumulated depreciation		120,655	178,931		299,586
Goodwill		242,699	70,331		313,030
Intangible assets, less accumulated amortization		82,129	60,884		143,013
Deferred income taxes		16,436	20,769		37,205
Other long-lived assets	14,154	3,054	46,218		63,426
Investment in subsidiaries	853,555	321,200		(1,174,755)	
	$ 922,787	$ 987,567	$ 884,979	$ (1,174,755)	$ 1,620,578
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 59,846	$ 109,917	$	$ 169,763
Accrued liabilities	15,552	57,423	68,947		141,922
Current maturities of long-term debt	46,268				46,268
Total current liabilities	61,820	117,269	178,864		357,953
Long-term debt	543,942				543,942
Postretirement benefits		35,000	86,745		121,745
Other long-term liabilities	27,636	9,581	8,673		45,890
Intercompany accounts	238,152	(527,873)	289,721		
Total stockholders equity	51,237	1,353,590	320,976	(1,174,755)	551,048
	$ 922,787	$ 987,567	$ 884,979	$ (1,174,755)	$ 1,620,578

Table of Contents

Supplemental Condensed Consolidating Statements of Operations

	Three Months Ended July 4, 2010				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
			(In thousands)		
Revenues	$	$ 219,838	$ 243,812	$ (37,510)	$ 426,140
Cost of sales		(153,804)	(184,049)	37,510	(300,343)
Gross profit		66,034	59,763		125,797
Selling, general and administrative expenses	(126)	(44,101)	(30,296)		(74,523)
Research and development		(6,092)	(7,308)		(13,400)
Amortization of intangibles		(2,280)	(1,860)		(4,140)
Income from equity method investment			3,211		3,211
Operating income (loss)	(126)	13,561	23,510		36,945
Interest expense	(14,530)	86	257		(14,187)
Interest income	28	2	106		136
Other income (expense)			1,465		1,465
Intercompany income (expense)	2,660	(3,669)	1,009		
Income (loss) from equity investment in subsidiaries	28,054	20,834		(48,888)	
Income (loss) from continuing operations before taxes	16,086	30,814	26,347	(48,888)	24,359
Income tax benefit (expense)	3,741	(2,760)	(5,513)		(4,532)
Income (loss) from continuing operations	19,827	28,054	20,834	(48,888)	19,827
Loss from discontinued operations, net of tax	(155)				(155)
Net income (loss)	$ 19,672	$ 28,054	$ 20,834	$ (48,888)	$ 19,672

-19-

	Three Months Ended June 28, 2009				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
			(In thousands)		
Revenues	$	$ 181,854	$ 202,556	$ (40,589)	$ 343,821
Cost of sales		(122,483)	(153,409)	40,589	(235,303)
Gross profit		59,371	49,147		108,518
Selling, general and administrative expenses	(140)	(37,031)	(30,408)		(67,579)
Research and development		(7,238)	(6,884)		(14,122)
Amortization of intangibles		(2,026)	(1,885)		(3,911)
Income from equity method investment			695		695
Asset impairment		(737)	(716)		(1,453)
Loss on sale of assets			(17,184)		(17,184)
Operating income (loss)	(140)	12,339	(7,235)		4,964
Interest expense	(8,871)	(5)	(19)		(8,895)
Interest income	51	5	182		238
Intercompany income (expense)	3,042	(8,925)	5,883		
Income (loss) from equity investment in subsidiaries	(1,194)	(4,789)		5,983	
Income (loss) before taxes	(7,112)	(1,375)	(1,189)	5,983	(3,693)
Income tax benefit (expense)	2,226	181	(3,600)		(1,193)
Net income (loss)	$ (4,886)	$ (1,194)	$ (4,789)	$ 5,983	$ (4,886)

	Six Months Ended July 4, 2010				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
			(In thousands)		
Revenues	$	$ 428,204	$ 473,498	$ (75,213)	$ 826,489
Cost of sales		(299,097)	(358,400)	75,213	(582,284)
Gross profit		129,107	115,098		244,205
Selling, general and administrative expenses	(382)	(85,794)	(62,207)		(148,383)
Research and development		(13,264)	(14,933)		(28,197)
Amortization of intangibles		(4,571)	(3,835)		(8,406)
Income from equity method investment			5,852		5,852
Operating income (loss)	(382)	25,478	39,975		65,071

Interest expense	(27,291)	65	93		(27,133)
Interest income	74	6	239		319
Other income (expense)			1,465		1,465
Intercompany income (expense)	5,666	(5,972)	306		
Income (loss) from equity investment in subsidiaries	45,942	32,279		(78,221)	
Income (loss) from continuing operations before taxes	24,009	51,856	42,078	(78,221)	39,722
Income tax benefit (expense)	7,701	(5,914)	(9,799)		(8,012)
Income (loss) from continuing operations	31,710	45,942	32,279	(78,221)	31,710
Loss from discontinued operations, net of tax	(291)				(291)
Net income (loss)	$ 31,419	$ 45,942	$ 32,279	$ (78,221)	$ 31,419

Table of Contents

	Six Months Ended June 28, 2009				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
			(In thousands)		
Revenues	$	$ 353,812	$ 390,323	$ (71,802)	$ 672,333
Cost of sales		(240,078)	(311,346)	71,802	(479,622)
Gross profit		113,734	78,977		192,711
Selling, general and administrative expenses	(164)	(71,685)	(72,427)		(144,276)
Research and development		(14,641)	(16,036)		(30,677)
Amortization of intangibles		(4,050)	(3,726)		(7,776)
Income from equity method investment			1,985		1,985
Asset impairment		(4,040)	(22,136)		(26,176)
Loss on sale of assets			(17,184)		(17,184)
Operating income (loss)	(164)	19,318	(50,547)		(31,393)
Interest expense	(16,190)	71	(99)		(16,218)
Interest income	56	85	461		602
Other income (expense)	(1,541)				(1,541)
Intercompany income (expense)	5,984	(12,178)	6,194		
Income (loss) from equity investment in subsidiaries	(29,789)	(36,122)		65,911	
Income (loss) before taxes	(41,644)	(28,826)	(43,991)	65,911	(48,550)
Income tax benefit (expense)	4,304	(963)	7,869		11,210
Net income (loss)	$ (37,340)	$ (29,789)	$ (36,122)	$ 65,911	$ (37,340)

Table of Contents

Supplemental Condensed Consolidating Statements of Cash Flows

	Six Months Ended July 4, 2010			
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total
	(In thousands)			
Net cash provided by (used for) operating activities	$ 79,937	$ 13,895	$ (88,319)	$ 5,513
Cash flows from investing activities:				
Capital expenditures		(7,658)	(5,047)	(12,705)
Proceeds from disposal of tangible assets		2,314	18	2,332
Cash provided by other investing activities	163			163
Net cash provided by (used for) investing activities	163	(5,344)	(5,029)	(10,210)
Cash flows from financing activities:				
Payments under borrowing arrangements	(46,268)			(46,268)
Cash dividends paid	(4,712)			(4,712)
Tax deficiency related to share-based compensation	(210)			(210)
Proceeds from exercises of stock options	634			634
Intercompany capital contributions	163	(163)		
Net cash used for financing activities	(50,393)	(163)		(50,556)
Effect of currency exchange rate changes on cash and cash equivalents			(8,011)	(8,011)
Increase (decrease) in cash and cash equivalents	29,707	8,388	(101,359)	(63,264)
Cash and cash equivalents, beginning of period	49,878	8,977	250,024	308,879
Cash and cash equivalents, end of period	$ 79,585	$ 17,365	$ 148,665	$ 245,615

Table of Contents

	Six Months Ended June 28, 2009			
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Total
	(In thousands)			
Net cash provided by (used for) operating activities	$ 67,103	$ (35,736)	$ 37,967	$ 69,334
Cash flows from investing activities:				
Capital expenditures		(10,462)	(7,880)	(18,342)
Proceeds from disposal of tangible assets		(18)	385	367
Net cash used for investing activities		(10,480)	(7,495)	(17,975)
Cash flows from financing activities:				
Cash dividends paid	(4,707)			(4,707)
Debt issuance costs	(1,541)			(1,541)
Tax deficiency related to share-based compensation	(1,469)			(1,469)
Proceeds from exercises of stock options	23			23
Net cash used for financing activities	(7,694)			(7,694)
Effect of currency exchange rate changes on cash and cash equivalents			3,562	3,562
Increase (decrease) in cash and cash equivalents	59,409	(46,216)	34,034	47,227
Cash and cash equivalents, beginning of period	130	57,522	169,761	227,413
Cash and cash equivalents, end of period	$ 59,539	$ 11,306	$ 203,795	$ 274,640

Item 2: Management s Discussion and Analysis of Financial Condition and Results of Operations
Overview

We design, manufacture, and market cable, connectivity, and networking products in markets including industrial automation, enterprise, transportation, infrastructure, and consumer electronics.

We consider revenue growth, operating margin, cash flows, return on invested capital, and working capital management metrics to be our key operating performance indicators.

Trends and Events

The following trends and events during 2010 have had varying effects on our financial condition, results of operations, and cash flows.

Global Restructuring Activities

During 2010, we continued to implement our plan to streamline our manufacturing, sales, and administrative functions. We recognized severance costs primarily in the Americas segment totaling $0.8 million and $1.1 million in the three and six month periods ended July 4, 2010, respectively, related to these restructuring activities and the planned closure of one of our two manufacturing plants in Leominster, Massachusetts. We do not expect to recognize any additional severance costs related to these restructuring activities.

Derivatives and hedging activities

During the quarter ended July 4, 2010, we entered into $200.0 million notional amount of interest rate swap agreements that expire in 2019. The interest rate swaps are receive-fixed, pay-variable rate, and they allowed us to adjust our relative proportion of fixed and floating rate debt. We also entered into a separate $200.0 million notional amount interest rate cap agreement, which caps the variable rate that we are exposed to in the interest rate swaps. The interest rate swaps have been designated and accounted for as fair value hedges, and the interest rate cap has been accounted for at fair value. We recorded a $2.7 million net loss on these instruments for the three and six month periods ended July 4, 2010, which is included in interest expense in the Consolidated Statements of Operations. See Note 8 for further discussion.

Share-Based Compensation

We provide certain employees with share-based compensation in the form of stock options, stock appreciation rights, restricted stock units with service vesting conditions, and restricted stock units with performance vesting conditions. At July 4, 2010, the total unrecognized compensation cost related to all nonvested awards was $23.5 million. That cost is expected to be recognized over a weighted-average period of 2.6 years.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations, or cash flows.

Table of Contents

Recent Accounting Pronouncements

Discussion regarding recent accounting pronouncements is included in Note 1 to the Consolidated Financial Statements.

Critical Accounting Policies

During the six months ended July 4, 2010:

Our critical accounting policy regarding revenue recognition was updated as a result of the adoption of new accounting guidance, as discussed in Note 1 to the Consolidated Financial Statements. We also added a new critical accounting policy regarding derivatives and hedging activities, as discussed below. We did not change any of our other existing critical accounting policies from those listed in our 2009 Annual Report on Form 10-K;

No existing accounting policies became critical accounting policies because of an increase in the materiality of associated transactions or changes in the circumstances to which associated judgments and estimates relate; and

There were no significant changes in the manner in which critical accounting policies were applied or in which related judgments and estimates were developed.

We are exposed to various market risks, including fluctuations in interest rates. We use interest rate agreements to manage our costs and reduce our exposure to interest rate risk. We manage our exposure to interest rate risk by maintaining a mix of fixed and variable rate debt. During the quarter ended July 4, 2010, we entered into $200.0 million notional amount of interest rate swap agreements that expire in 2019. The interest rate swaps are receive-fixed, pay-variable rate, and they allowed us to adjust our relative proportion of fixed and floating rate debt. We also entered into a separate $200.0 million notional amount interest rate cap agreement, which caps the variable rate that we are exposed to in the interest rate swaps. We do not hold or issue any derivative instrument for trading or speculative purposes.

We report all derivative financial instruments on the balance sheet at fair value. Derivative instruments, such as our interest rate swaps, may be designated as a hedge of the exposure to changes in the fair value of an asset or liability if the hedging relationship is expected to be highly effective in offsetting changes in fair value attributable to the hedged risk during the period of designation. If a derivative is designated as a fair value hedge, the gain or loss on the derivative and the offsetting loss or gain on the hedged asset, liability or firm commitment are recognized in earnings. Gains or losses on derivative instruments recognized in earnings are reported in the same line item as the associated hedged transaction in the Consolidated Statements of Operations. If a derivative has not been designated as part of a hedging relationship, such as our interest rate cap, it is recorded at fair value with changes in fair value recognized in earnings.

Table of Contents

Results of Operations
Consolidated Continuing Operations

	Three Months Ended July 4, 2010	June 28, 2009	% Change	Six Months Ended July 4, 2010	June 28, 2009	% Change
	(in thousands, except percentages)					
Revenues	$426,140	$343,821	23.9%	$826,489	$672,333	22.9%
Gross profit	125,797	108,518	15.9%	244,205	192,711	26.7%
Selling, general and administrative expenses	74,523	67,579	10.3%	148,383	144,276	2.8%
Research and development	13,400	14,122	-5.1%	28,197	30,677	-8.1%
Income from equity method investment	3,211	695	362.0%	5,852	1,985	194.8%
Operating income (loss)	36,945	4,964	644.3%	65,071	(31,393)	307.3%
Income (loss) from continuing operations before taxes	24,359	(3,693)	759.6%	39,722	(48,550)	181.8%
Net income (loss)	19,672	(4,886)	502.6%	31,419	(37,340)	184.1%

Revenues increased in the three and six month periods ended July 4, 2010 for the following reasons:

An increase in unit sales volume due to broad-based market improvements resulted in a revenue increase of $60.3 million and $101.7 million, respectively.

An increase in sales prices, primarily attributable to an increase in copper prices, resulted in a revenue increase of $20.0 million and $39.8 million, respectively.

Acquisitions contributed $3.7 million and $7.0 million of revenue, respectively.

The recognition of previously deferred revenue associated with the Wireless segment resulted in a revenue increase of $6.1 million and $12.2 million, respectively.

The positive impact that the factors listed above had on the revenue comparison was partially offset by $6.5 million and $17.7 million, respectively, of lost sales due to dispositions in Europe during 2009. Foreign currency translation was unfavorable for the three month period ended July 4, 2010, and resulted in a $1.3 million decrease in revenues. Foreign currency translation was favorable for the six month period ended July 4, 2010, and resulted in an $11.2 million increase in revenue.

Gross profit increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009 due to the increases in revenue as discussed above and decreases in severance and other restructuring costs. In the three and six month periods ended July 4, 2010, cost of sales included $4.8 million and $9.8 million, respectively, of severance and other restructuring costs compared to $4.8 million and $22.7 million, respectively, in the comparable periods of 2009. These costs were due to global restructuring actions to streamline our manufacturing functions worldwide in an effort to reduce costs and mitigate the weakening demand experienced throughout the global economy.

Selling, general and administrative expenses increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009. These increases are primarily due to higher payroll and incentive compensation costs, as well as higher discretionary spending for items such as consulting fees, travel costs, and advertising.

The decrease in research and development costs in the three month period ended July 4, 2010 is primarily due to lower payroll and incentive compensation costs, due to lower headcount as a result of global restructuring actions previously taken. The decrease in research and development costs in the six month period ended July 4, 2010 is primarily due to lower severance costs. In the six month period ended June 28, 2009, research and development included $1.7 million of severance costs. Research and development costs did not include any severance costs during the six month period ended July 4, 2010.

Table of Contents

Income from our equity method investment increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009 due to overall improved performance of a joint venture in China associated with our EMEA segment.

During the first six months of 2009, we recognized asset impairment losses totaling $26.2 million primarily related to a German cable business that we sold in the second quarter of 2009. We did not recognize any asset impairment losses during the first six months of 2010.

During the first six months of 2009, we sold a 95% ownership interest in a German cable business. The sales price was $0.4 million, and we recognized a loss of $17.2 million on the transaction. We did not have any significant gains or losses on the sale of assets during the first six months of 2010.

Operating income increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009 due to the increase in revenues and gross profit and the decrease in severance and other restructuring costs, asset impairment losses, and losses on the sale of assets as discussed above. Operating income also increased due to the benefits of our restructuring actions and the successful execution of our regional manufacturing and Lean enterprise strategies.

Income from continuing operations before income taxes increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009 due to the increases in operating income, as discussed above. In addition, we recognized $1.5 million of other income during the three and six month periods ended July 4, 2010 due to an escrow settlement related to a prior acquisition. We recognized $1.5 million of other expense in the six month period ended June 28, 2009 due to fees paid related to an amendment of our senior secured credit facility. In addition, we recognized $2.7 million of net losses on derivatives and hedging instruments recognized within interest expense for the three and six month periods ended July 4, 2010.

We recognized income tax expense of $4.5 million and $8.0 million for the three and six month periods ended July 4, 2010. Our effective tax rate for the six month period ended July 4, 2010 was 20.2% expense compared to a benefit of 23.1% in 2009. This change is primarily attributable to the increase in income before taxes as well as the impact of the income tax benefit associated with the loss on sale of a German cable business in 2009.

Americas Segment

	Three Months Ended		%	Six Months Ended		%
	July 4, 2010	June 28, 2009	Change	July 4, 2010	June 28, 2009	Change
	(in thousands, except percentages)					
Total revenues	$249,056	$197,622	26.0%	$479,722	$387,823	23.7%
Operating income	34,159	33,521	1.9%	65,516	58,179	12.6%
as a percent of total revenues	*13.7%*	*17.0%*		*13.7%*	*15.0%*	

Americas total revenues, which include affiliate revenues, increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009 due to higher unit sales volume of $28.7 million and $46.8 million, respectively. Higher selling prices, primarily associated with an increase in copper prices, contributed $12.5 million and $20.8 million, respectively, to the increase in revenues. The increase in revenues was also due to favorable currency translation of $5.3 million and $11.4 million, respectively, resulting primarily from the Canadian dollar strengthening against the U.S. dollar. Higher affiliate sales contributed $1.2 million and $5.9 million, respectively, of the increase in revenues. Acquisitions contributed $3.7 million and $7.0 million, respectively, of the increase in revenues.

Table of Contents

Operating income increased in the three and six month periods ended July 4, 2010 due to the increase in revenues as discussed above. However, operating income does not benefit from an increase in revenues due to higher copper prices. In addition, the impact of the increase in revenue was partially offset by higher investment in selling, general, and administrative expenses and research and development expenses in the periods. Furthermore, operating margin decreased due to competitive market pressures that resulted in lower pricing, exclusive of pricing changes due to copper prices.

Operating income also increased due to the reduction in asset impairment losses. In the three and six months ended June 28, 2009, the segment recognized $0.7 million and $3.6 million of asset impairment losses, respectively. The segment did not recognize any asset impairment charges in the three and six months ended July 4, 2010. These increases in operating income were partially offset by increases in severance and other restructuring costs. In the three and six months ended July 4, 2010, the segment recognized severance and other restructuring charges of $4.3 million and $8.7 million, respectively, primarily related to the anticipated closure of one of our two manufacturing plants in Leominster, Massachusetts. In the three and six months ended June 28, 2009, the segment recognized $4.0 million and $6.2 million of severance and other restructuring charges, respectively, primarily related to our global restructuring actions.

EMEA Segment

	Three Months Ended		%	Six Months Ended		%
	July 4, 2010	June 28, 2009	Change	July 4, 2010	June 28, 2009	Change
	(in thousands, except percentages)					
Total revenues	$110,073	$ 99,346	10.8%	$215,366	$199,880	7.7%
Operating income (loss)	19,314	(12,685)	252.3%	33,894	(54,640)	162.0%
as a percent of total revenues	*17.5%*	*-12.8%*		*15.7%*	*-27.3%*	

EMEA total revenues, which include affiliate revenues, increased in the three and six month periods ended July 4, 2010 from the comparable periods in 2009 due to higher unit sales volume of $19.2 million and $27.0 million, respectively. Higher affiliate sales contributed $4.8 million and $7.1 million, respectively, of the increase in revenues. The increases in revenues were part