

BELDEN INC.
Form 10-Q
November 03, 2015

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 September 27, 2015
Commission File No. 001-12561

BELDEN INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1 North Brentwood Boulevard

15th Floor

St. Louis, Missouri 63105

36-3601505
(I.R.S. Employer
Identification No.)

(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 No .

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 No .

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

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

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

(Do not check if a smaller reporting company)

As of October 29, 2015, the Registrant had 41,976,210 outstanding shares of common stock.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements****BELDEN INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****September 27, 2015 December 31, 2014****(Unaudited)****(In thousands)**

| ASSETS | | |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 241,897 | \$ 741,162 |
| Receivables, net | 403,436 | 379,777 |
| Inventories, net | 210,088 | 228,398 |
| Deferred income taxes | 20,727 | 22,157 |
| Other current assets | 77,227 | 42,656 |
| Total current assets | 953,375 | 1,414,150 |
| Property, plant and equipment, less accumulated depreciation | 311,338 | 316,385 |
| Goodwill | 1,406,593 | 943,374 |
| Intangible assets, less accumulated amortization | 684,147 | 461,292 |
| Deferred income taxes | 23,447 | 40,652 |
| Other long-lived assets | 80,463 | 86,974 |
| | \$ 3,459,363 | \$ 3,262,827 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 209,656 | \$ 272,439 |
| Accrued liabilities | 298,053 | 250,420 |
| Current maturities of long-term debt | 2,500 | 2,500 |
| Total current liabilities | 510,209 | 525,359 |
| Long-term debt | 1,914,083 | 1,765,422 |
| Postretirement benefits | 114,543 | 122,627 |
| Deferred income taxes | 111,974 | 10,824 |
| Other long-term liabilities | 35,400 | 31,409 |
| Stockholders' equity: | | |
| Preferred stock | - | - |
| Common stock | 503 | 503 |
| Additional paid-in capital | 601,914 | 595,389 |
| Retained earnings | 632,044 | 621,896 |
| Accumulated other comprehensive loss | (58,519) | (46,031) |
| Treasury stock | (402,788) | (364,571) |

| | | |
|----------------------------|--------------|--------------|
| Total stockholders' equity | 773,154 | 807,186 |
| | \$ 3,459,363 | \$ 3,262,827 |

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

BELDEN INC.**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME****(Unaudited)**

| | Three Months Ended | | Nine Months Ended | |
|---|--|---------------------------|---------------------------|---------------------------|
| | September 27, 2015 | September 28, 2015 | September 27, 2015 | September 28, 2014 |
| | (In thousands, except per share data) | | | |
| Revenues | \$ 579,266 | \$ 610,774 | \$ 1,711,978 | \$ 1,699,355 |
| Cost of sales | (353,135) | (389,042) | (1,043,922) | (1,097,521) |
| Gross profit | 226,131 | 221,732 | 668,056 | 601,834 |
| Selling, general and administrative expenses | (128,140) | (119,104) | (396,883) | (359,854) |
| Research and development | (38,168) | (30,444) | (110,999) | (82,633) |
| Amortization of intangibles | (25,669) | (15,203) | (78,090) | (42,739) |
| Income from equity method investment | 348 | 1,030 | 1,459 | 3,240 |
| Operating income | 34,502 | 58,011 | 83,543 | 119,848 |
| Interest expense, net | (25,416) | (21,497) | (74,031) | (58,259) |
| Income from continuing operations before taxes | 9,086 | 36,514 | 9,512 | 61,589 |
| Income tax benefit (expense) | 5,725 | (2,667) | 7,340 | (2,571) |
| Income from continuing operations | 14,811 | 33,847 | 16,852 | 59,018 |
| Loss from discontinued operations, net of tax | (242) | - | (242) | - |
| Loss from disposal of discontinued operations, net of tax | - | - | (86) | (562) |
| Net income | \$ 14,569 | \$ 33,847 | \$ 16,524 | \$ 58,456 |
| Weighted average number of common shares and equivalents: | | | | |
| Basic | 42,417 | 43,201 | 42,536 | 43,439 |
| Diluted | 42,908 | 43,910 | 43,117 | 44,164 |
| Basic income (loss) per share: | | | | |
| Continuing operations | \$ 0.35 | \$ 0.78 | \$ 0.40 | \$ 1.36 |
| Discontinued operations | (0.01) | - | (0.01) | - |
| Disposal of discontinued operations | - | - | - | (0.01) |
| Net income | \$ 0.34 | \$ 0.78 | \$ 0.39 | \$ 1.35 |

Diluted income (loss) per share:

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| | | | | |
|-------------------------------------|------------|-----------|----------|-----------|
| Continuing operations | \$ 0.35 | \$ 0.77 | \$ 0.39 | \$ 1.33 |
| Discontinued operations | (0.01) | - | (0.01) | - |
| Disposal of discontinued operations | - | - | - | (0.01) |
| Net income | \$ 0.34 | \$ 0.77 | \$ 0.38 | \$ 1.32 |
| Comprehensive income (loss) | \$ (9,803) | \$ 30,783 | \$ 4,036 | \$ 57,958 |
| Dividends declared per share | \$ 0.05 | \$ 0.05 | \$ 0.15 | \$ 0.15 |

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

BELDEN INC.**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS****(Unaudited)**

Nine Months Ended
September 27, 2015 **September 28, 2014**
(In thousands)

| | | |
|--|-----------|-----------|
| Cash flows from operating activities: | | |
| Net income | \$ 16,524 | \$ 58,456 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 113,141 | 74,382 |
| Share-based compensation | 13,814 | 14,236 |
| Income from equity method investment | (1,459) | (3,240) |
| Tax benefit related to share-based compensation | (5,064) | (4,939) |
| Changes in operating assets and liabilities, net of the effects of currency exchange rate changes and acquired businesses: | | |
| Receivables | (6,532) | (44,583) |
| Inventories | 7,979 | 4,188 |
| Accounts payable | (55,973) | (7,613) |
| Accrued liabilities | 29,354 | (24,414) |
| Accrued taxes | (23,884) | (13,818) |
| Other assets | 3,394 | 8,856 |
| Other liabilities | 687 | 3,255 |
| Net cash provided by operating activities | 91,981 | 64,766 |
| Cash flows from investing activities: | | |
| Cash used to acquire businesses, net of cash acquired | (695,345) | (313,065) |
| Capital expenditures | (39,106) | (31,057) |
| Proceeds from disposal of tangible assets | 145 | 1,773 |
| Proceeds from (payments for) disposal of business | 3,527 | (956) |
| Net cash used for investing activities | (730,779) | (343,305) |
| Cash flows from financing activities: | | |
| Borrowings under credit arrangements | 200,000 | 200,000 |
| Tax benefit related to share-based compensation | 5,064 | 4,939 |
| Debt issuance costs paid | (643) | (6,572) |
| Payments under borrowing arrangements | (1,250) | (1,250) |
| Cash dividends paid | (6,386) | (6,540) |
| Proceeds (payments) from exercise of stock options, net of withholding tax payments | (11,517) | (7,996) |
| Payments under share repurchase program | (39,053) | (62,197) |
| Net cash provided by financing activities | 146,215 | 120,384 |
| | (6,682) | (6,047) |

Effect of foreign currency exchange rate changes on cash and cash equivalents

| | | |
|--|------------|------------|
| Decrease in cash and cash equivalents | (499,265) | (164,202) |
| Cash and cash equivalents, beginning of period | 741,162 | 613,304 |
| Cash and cash equivalents, end of period | \$ 241,897 | \$ 449,102 |

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

BELDEN INC.**CONDENSED CONSOLIDATED STOCKHOLDERS EQUITY STATEMENT****NINE MONTHS ENDED SEPTEMBER 27, 2015****(Unaudited)**

| | Common Stock | | Additional | Retained | Treasury Stock | | Accumulated | |
|---|----------------|--------|------------|------------|----------------|--------------|---------------|------------|
| | Shares | Amount | Paid-In | Earnings | Shares | Amount | Other | Total |
| | | | Capital | | | | Comprehensive | |
| | | | | | | | Income (Loss) | |
| | (In thousands) | | | | | | | |
| Balance at September 30, 2014 | 50,335 | \$ 503 | \$ 595,389 | \$ 621,896 | (7,871) | \$ (364,571) | \$ (46,031) | \$ 807,188 |
| Net income | - | - | - | 16,524 | - | - | - | 16,524 |
| Foreign currency translation | - | - | - | - | - | - | (15,056) | (15,056) |
| Adjustment to pension and retirement liability, net of \$ million tax | - | - | - | - | - | - | 2,568 | 2,568 |
| Other comprehensive income, net of tax | - | - | - | - | - | - | - | (12,488) |
| Exercise of stock options, net of tax withholding | - | - | (5,947) | - | 93 | (101) | - | (6,048) |
| Conversion of restricted stock awards into common stock, net of tax withholding | - | - | (6,406) | - | 113 | 937 | - | (5,466) |
| Share repurchase program | - | - | - | - | (698) | (39,053) | - | (39,053) |
| Share-based compensation | - | - | 18,878 | - | - | - | - | 18,878 |
| Dividends of \$0.15 per share | - | - | - | (6,376) | - | - | - | (6,376) |

e)

| | | | | | | | | |
|---------------------------|--------|--------|------------|------------|---------|--------------|-------------|-----------|
| ance at ember 27, 5 | 50,335 | \$ 503 | \$ 601,914 | \$ 632,044 | (8,363) | \$ (402,788) | \$ (58,519) | \$ 773,15 |
|---------------------------|--------|--------|------------|------------|---------|--------------|-------------|-----------|

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

BELDEN INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Condensed 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 Condensed Consolidated Financial Statements presented as of any date other than December 31, 2014:

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 Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Supplementary Data contained in our 2014 Annual Report on Form 10-K.

Business Description

We are an innovative signal transmission solutions provider built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications.

Reporting Periods

Our fiscal year and fiscal fourth quarter both end on December 31. Our fiscal first quarter ends on the Sunday falling closest to 91 days after December 31, which was March 29, 2015, the 88th day of our fiscal year 2015. Our fiscal second and third quarters each have 91 days. The nine months ended September 27, 2015 and September 28, 2014 included 270 and 271 days, respectively.

Reclassifications

We have made certain reclassifications to the 2014 Condensed Consolidated Financial Statements with no impact to reported net income in order to conform to the 2015 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:

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; and

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 nine months ended September 27, 2015 and September 28, 2014, we utilized Level 1 inputs to determine the fair value of cash equivalents, and we utilized Level 2 and Level 3 inputs to determine the fair value of net assets acquired in business combinations (see Note 2). We did not have any transfers between Level 1 and Level 2 fair value measurements during the nine months ended September 27, 2015 and September 28, 2014.

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. We did not have any significant cash equivalents as of September 27, 2015.

Contingent Liabilities

We have established liabilities for environmental and legal contingencies that are probable of occurrence and reasonably estimable, the amounts of which are currently not material. We accrue environmental remediation costs 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 September 27, 2015, we were party to standby letters of credit, bank guaranties, and surety bonds totaling \$7.8 million, \$3.1 million, and \$1.8 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) collectability 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. At times, we enter into arrangements that involve the delivery of multiple elements. For these arrangements, when the elements can be separated, the revenue is allocated to each deliverable based on that element's relative selling price and recognized based on the period of delivery for each element. Generally, we determine relative selling price using our best estimate of selling price, unless we have established vendor specific objective evidence (VSOE) or third party evidence of fair value exists for such arrangements.

We record revenue net of estimated rebates, price allowances, invoicing adjustments, and product returns. We record revisions to these estimates in the period in which the facts that give rise to each revision become known.

We have certain products subject to the accounting guidance on software revenue recognition. For such products, software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable, collection is probable and VSOE of the fair value of undelivered elements exists. As substantially all of the software licenses are sold in multiple-element arrangements that include either support and maintenance or both support and maintenance and professional services, we use the residual method to determine the amount of software license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as software license revenue. In our Network Security Solutions segment, we have established VSOE of the fair value of support and maintenance, subscription-based software licenses and professional services. Software license revenue is generally recognized upon delivery of the software if all revenue recognition criteria are met.

Revenue allocated to support services under our Network Security Solutions support and maintenance contracts is paid in advance and recognized ratably over the term of the service. Revenue allocated to subscription-based software and remote ongoing operational services is also paid in advance and recognized ratably over the term of the service. Revenue allocated to professional services, including remote implementation services, is recognized as the services are performed.

Discontinued Operations

In 2010, we completed the sale of Trapeze Networks, Inc. (Trapeze) for \$152.1 million and recognized a pre-tax gain of \$88.3 million (\$44.8 million after-tax). At the time the transaction closed, we received \$136.9 million in cash, and the remaining \$15.2 million was placed in escrow as partial security for our indemnity obligations under the sale agreement. During 2013, we collected a partial settlement of \$4.2 million from the escrow. During 2015, we agreed to a final settlement with the buyer of Trapeze regarding the escrow. In the nine months ended September 27, 2015, we collected \$3.5 million of the escrow receivable and recognized a \$0.2 million (\$0.1 million net of tax) loss from disposal of discontinued operations. Additionally, in both the three and nine months ended September 27, 2015, we recognized a \$0.2 million net loss from discontinued operations for income tax expense related to this disposed business.

In 2012, we sold our Thermax and Raydex cable business for \$265.6 million in cash and recognized a pre-tax gain of \$211.6 million (\$124.7 million net of tax). At the time the transaction closed, we received \$265.6 million in cash, subject to a working capital adjustment. In the nine months ended September 28, 2014, we recognized a \$0.9 million (\$0.6 million net of tax) loss from disposal of discontinued operations related to this business as a result of settling the working capital adjustment and other matters.

Subsequent Events

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

Pending Adoption of Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (the ASU), which will replace most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU will be effective for us beginning January 1, 2018, and allows for both retrospective and modified retrospective methods of adoption. We are in the process of determining the method of

adoption and assessing the impact of this ASU on our Consolidated Financial Statements.

In August 2014, the FASB issued disclosure guidance that requires us to evaluate, at each annual and interim period, whether substantial doubt exists about our ability to continue as a going concern, and if applicable, to provide related disclosures. The new guidance will be effective for us for the year ending December 31, 2016. This guidance is not currently expected to have a material effect on our financial statement disclosures upon adoption, although the ultimate impact will be dependent on our financial condition and expected operating outlook at such time.

Note 2: Acquisitions

Tripwire

We acquired 100% of the outstanding ownership interest in Tripwire, Inc. (Tripwire) on January 2, 2015 for a purchase price of \$703.2 million. The purchase price was funded with cash on hand and \$200.0 million of borrowings under our revolving credit agreement (see Note 8). Tripwire is a leading global provider of advanced threat, security and compliance solutions. Tripwire's solutions enable enterprises, service providers, manufacturers, and government agencies to detect, prevent, and respond to growing security threats. Tripwire is headquartered in Portland, Oregon. The results of Tripwire have been included in our Consolidated Financial Statements from January 2, 2015. We have determined that Tripwire is a reportable segment, Network Security Solutions. The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed as of January 2, 2015 (in thousands).

| | | |
|-------------------------------|-----------|----------------|
| Cash | \$ | 2,364 |
| Receivables | | 37,792 |
| Inventories | | 603 |
| Other current assets | | 2,822 |
| Property, plant and equipment | | 10,339 |
| Goodwill | | 478,000 |
| Intangible assets | | 306,000 |
| Other non-current assets | | 658 |
| Total assets | \$ | 838,578 |
| Accounts payable | \$ | 3,142 |
| Accrued liabilities | | 11,482 |
| Deferred revenue | | 8,000 |
| Deferred income taxes | | 112,205 |
| Other non-current liabilities | | 540 |
| Total liabilities | \$ | 135,369 |
| Net assets | \$ | 703,209 |

The above purchase price allocation is preliminary, and is subject to revision as additional information about the fair value of individual assets and liabilities becomes available. We are in the process of ensuring our accounting policies are applied at Tripwire. The preliminary measurement of receivables; inventories; property, plant and equipment; goodwill; deferred income taxes; and other assets and liabilities are subject to change. A change in the estimated fair value of the net assets acquired will change the amount of the purchase price allocable to goodwill.

The fair value of acquired receivables is \$37.8 million, with a gross contractual amount of \$38.0 million. We do not expect to collect \$0.2 million of the acquired receivables.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations.

For purposes of the above allocation, we based our estimate of the fair value for the acquired intangible assets, property, plant and equipment, and deferred revenue on a valuation study performed by a third party valuation firm. We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets and deferred revenue (Level 3 valuation). To determine the value of the acquired property, plant, and equipment, we used various valuation methods, including both the market approach, which considers sales prices of similar assets in similar conditions (Level 2 valuation), and the cost approach, which considers the cost to replace the asset adjusted for depreciation (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the Tripwire acquisition primarily consist of an expanded product portfolio with network security solutions that can be marketed to our existing broadcast, enterprise, and industrial customers. We do not have tax basis in the goodwill, and therefore, the goodwill is not deductible for tax purposes. The intangible assets related to the acquisition consisted of the following:

| | Estimated Fair Value (In thousands) | Amortization Period (In years) |
|--|--|---|
| Intangible assets subject to amortization: | | |
| Developed technology | \$ 210,000 | 5.8 |
| Customer relationships | 56,000 | 15.0 |
| Backlog | 3,000 | 1.0 |
| Total intangible assets subject to amortization | 269,000 | |
| Intangible assets not subject to amortization: | | |
| Goodwill | 478,000 | |
| Trademarks | 31,000 | |
| In-process research and development | 6,000 | |
| Total intangible assets not subject to amortization | 515,000 | |
| Total intangible assets | \$ 784,000 | |
| Weighted average amortization period | | 7.7 |

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technology intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Trademarks have been determined by us to have indefinite lives and are not being amortized, based on our expectation that the trademarked products will generate cash flows for us for an indefinite period. We expect to maintain use of trademarks on existing products and introduce new products in the future that will also display the trademarks, thus extending their lives indefinitely. In-process research and development assets are considered indefinite-lived intangible assets until the completion or abandonment of the associated research and development efforts. Upon completion of the development process, we will make a determination of the useful life of the asset and begin

amortizing the assets over that period. If the project is abandoned, we will write-off the asset at such time.

Our consolidated revenues and consolidated income from continuing operations before taxes for the three months ended September 27, 2015 included \$30.5 million of revenues and a \$10.6 million loss from continuing operations before taxes from Tripwire. Our consolidated revenues and consolidated income from continuing operations before taxes for the nine months ended September 27, 2015 included \$74.5 million of revenues and a \$46.3 million loss from continuing operations before taxes from Tripwire. Consolidated revenues in the three and nine months ended September 27, 2015 were negatively impacted by approximately \$10.9 million and \$43.6 million, respectively, due to the reduction of the acquired deferred revenue balance to fair value. Our consolidated income from continuing operations before taxes for the three months ended September 27, 2015 included \$10.6 million of amortization of intangible assets. Our consolidated income from continuing operations before taxes for the nine months ended September 27, 2015 included \$32.6 million of amortization of intangible assets and \$9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards.

The following table illustrates the unaudited pro forma effect on operating results as if the Tripwire acquisition had been completed as of January 1, 2014.

| | Three Months Ended | | Nine Months Ended | |
|---|--|---------------------------|---------------------------|---------------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| | (In thousands, except per share data) | | | |
| | (Unaudited) | | | |
| Revenues | \$ 588,986 | \$ 638,353 | \$ 1,751,090 | \$ 1,760,018 |
| Income from continuing operations | 21,032 | 20,855 | 38,763 | 12,250 |
| Diluted income per share from continuing operations | \$ 0.49 | \$ 0.47 | \$ 0.90 | \$ 0.28 |

For purposes of the pro forma disclosures, the three months ended September 28, 2014 includes nonrecurring expenses from the effects of purchase accounting, including amortization of the sales backlog intangible asset of \$0.5 million. In addition, for purposes of the pro forma disclosures, the nine months ended September 28, 2014 includes nonrecurring expenses from the effects of purchase accounting, including the compensation expense from the accelerated vesting of acquiree stock compensation awards of \$9.2 million and amortization of the sales backlog intangible asset of \$2.5 million.

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations would have been had we completed the acquisition on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

Coast Wire and Plastic Tech

We acquired 100% of the outstanding ownership interest in Coast Wire and Plastic Tech., LLC (Coast) on November 20, 2014 for cash of \$36.0 million. Coast is a developer and manufacturer of customized wire and cable solutions used in high-end medical device, military and defense, and industrial applications. Coast is located in Carson, California. The results of Coast have been included in our Consolidated Financial Statements from November 20, 2014, and are reported within the Industrial Connectivity segment. The Coast acquisition was not material to our financial position or results of operations.

ProSoft Technology, Inc.

We acquired 100% of the outstanding shares of ProSoft Technology, Inc. (ProSoft) on June 11, 2014 for cash of \$104.1 million. ProSoft is a leading manufacturer of industrial networking products that translate between disparate automation systems, including the various protocols used by different automation vendors. The results of ProSoft have been included in our Consolidated Financial Statements from June 11, 2014, and are reported within the Industrial IT segment. ProSoft is headquartered in Bakersfield, California. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of June 11, 2014 (in thousands).

| | | |
|-------------------------------|-----------|----------------|
| Cash | \$ | 2,517 |
| Receivables | | 5,894 |
| Inventories | | 2,731 |
| Other current assets | | 332 |
| Property, plant and equipment | | 767 |
| Goodwill | | 56,923 |
| Intangible assets | | 40,800 |
| Other non-current assets | | 622 |
| Total assets | \$ | 110,586 |
| Accounts payable | \$ | 2,544 |
| Accrued liabilities | | 2,807 |
| Other non-current liabilities | | 1,132 |
| Total liabilities | \$ | 6,483 |
| Net assets | \$ | 104,103 |

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations. There were no significant changes to the final purchase price allocation presented in the table above as compared to the preliminary purchase price allocation as of December 31, 2014.

The fair value of acquired receivables is \$5.9 million, with a gross contractual amount of \$6.2 million. We do not expect to collect \$0.3 million of the acquired receivables.

For purposes of the above allocation, we based our estimate of the fair value of the acquired inventory and intangible assets on a valuation study performed by a third party valuation firm. We have estimated a fair value adjustment for inventories based on the estimated selling price of the work-in-process and finished goods acquired at the closing date less the sum of the costs to complete the work-in-process, the costs of disposal, and a reasonable profit allowance for our post acquisition selling efforts. We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the ProSoft acquisition primarily consist of expanded access to the Industrial IT market and channel partners. Our tax basis in the acquired goodwill is \$56.9 million. The goodwill balance we recorded is deductible for tax purposes over a period of 15 years up to the amount of the tax basis. The intangible assets related to the acquisition consisted of the following:

| | Fair Value (In thousands) | Amortization Period (In years) |
|--|------------------------------|--------------------------------------|
| Intangible assets subject to amortization: | | |
| Customer relationships | \$ 26,600 | 20.0 |
| Developed technologies | 9,000 | 5.0 |
| Trademarks | 5,000 | 5.0 |
| Backlog | 200 | 0.3 |
| Total intangible assets subject to amortization | 40,800 | |
| Intangible assets not subject to amortization: | | |
| Goodwill | 56,923 | |
| Total intangible assets not subject to amortization | 56,923 | |
| Total intangible assets | \$ 97,723 | |
| Weighted average amortization period | | 14.8 |

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technologies intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life for the trademarks was based on the period of time we expect to continue to go to market using the trademarks. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Our consolidated revenues and consolidated income from continuing operations before taxes for the three months ended September 27, 2015 included \$9.8 million and \$0.4 million, respectively, from ProSoft. Our consolidated revenues and consolidated income from continuing operations before taxes for the nine months ended September 27, 2015 included \$29.6 million and \$4.6 million, respectively, from ProSoft. Included in our consolidated income from continuing operations before taxes for the three and nine months ended September 27, 2015 are \$1.0 million and \$3.1 million, respectively, of amortization of intangible assets.

Grass Valley

We acquired 100% of the outstanding ownership interest in Grass Valley USA, LLC and GVBB Holdings S.a.r.l., (collectively, Grass Valley) on March 31, 2014 for cash of \$218.2 million. Grass Valley is a leading provider of innovative technologies for the broadcast industry, including production switchers, cameras, servers, and editing solutions. Grass Valley is headquartered in Hillsboro, Oregon, with significant locations throughout the United States, Europe, and Asia. The results of Grass Valley have been included in our Consolidated Financial Statements from March 31, 2014, and are reported within the Broadcast segment. The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as of March 31, 2014 (in thousands).

| | | |
|-------------------------------|-----------|----------------|
| Cash | \$ | 9,451 |
| Receivables | | 67,354 |
| Inventories | | 18,593 |
| Other current assets | | 4,172 |
| Property, plant and equipment | | 22,460 |
| Goodwill | | 131,070 |
| Intangible assets | | 95,500 |
| Other non-current assets | | 17,101 |
| Total assets | \$ | 365,701 |
| Accounts payable | \$ | 51,276 |
| Accrued liabilities | | 62,672 |
| Deferred revenue | | 14,000 |
| Postretirement benefits | | 16,538 |
| Deferred income taxes | | 1,827 |
| Other non-current liabilities | | 1,199 |
| Total liabilities | \$ | 147,512 |
| Net assets | \$ | 218,189 |

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. The judgments we have used in estimating the fair values assigned to each class of acquired assets and assumed liabilities could materially affect the results of our operations. There were no significant changes to the final purchase price allocation presented in the table above as compared to the preliminary purchase price allocation as of December 31, 2014.

The fair value of acquired receivables is \$67.4 million, with a gross contractual amount of \$77.2 million. We do not expect to collect \$9.8 million of the acquired receivables.

For purposes of the above allocation, we based our estimate of the fair value of the acquired inventory, property, plant, and equipment, intangible assets, and deferred revenue on a valuation study performed by a third party valuation firm. We have estimated a fair value adjustment for inventories based on the estimated selling price of the work-in-process and finished goods acquired at the closing date less the sum of the costs to complete the work-in-process, the costs of disposal, and a reasonable profit allowance for our post acquisition selling efforts. To determine the value of the acquired property, plant, and equipment, we used various valuation methods, including both the market approach, which considers sales prices of similar assets in similar conditions (Level 2 valuation), and the cost approach, which considers the cost to replace the asset adjusted for depreciation (Level 3 valuation). We used various valuation methods including discounted cash flows to estimate the fair value of the identifiable intangible assets and deferred revenue (Level 3 valuation).

Goodwill and other intangible assets reflected above were determined to meet the criterion for recognition apart from tangible assets acquired and liabilities assumed. The goodwill is primarily attributable to expected synergies and the assembled workforce. The expected synergies for the Grass Valley acquisition primarily consist of cost savings from the ability to consolidate existing and acquired operating facilities and other support functions, as well as expanded access to the Broadcast market. Our estimated tax basis in the acquired goodwill is not significant. The intangible assets related to the acquisition consisted of the following:

| | Fair Value (In thousands) | Amortization Period (In years) |
|--|------------------------------|--------------------------------------|
| Intangible assets subject to amortization: | | |
| Developed technologies | \$ 37,000 | 5.0 |
| Customer relationships | 27,000 | 15.0 |
| Backlog | 1,500 | 0.3 |
| Total intangible assets subject to amortization | 65,500 | |
| Intangible assets not subject to amortization: | | |
| Goodwill | 131,070 | |
| Trademarks | 22,000 | |
| In-process research and development | 8,000 | |
| Total intangible assets not subject to amortization | 161,070 | |
| Total intangible assets | \$ 226,570 | |

Weighted average amortization period 9.0

The amortizable intangible assets reflected in the table above were determined by us to have finite lives. The useful life for the developed technologies intangible asset was based on the estimated time that the technology provides us with a competitive advantage and thus approximates the period of consumption of the intangible asset. The useful life for the customer relationship intangible asset was based on our forecasts of customer turnover. The useful life of the backlog intangible asset was based on our estimate of when the ordered items would ship.

Trademarks have been determined by us to have indefinite lives and are not being amortized, based on our expectation that the trademarked products will generate cash flows for us for an indefinite period. We expect to maintain use of trademarks on existing products and introduce new products in the future that will also display the trademarks, thus extending their lives indefinitely. In-process research and development assets are considered indefinite-lived intangible assets until the completion or abandonment of the associated research and development efforts. Upon completion of the development process, we will make a determination of the useful life of the asset and begin amortizing the assets over that period. If the project is abandoned, we will write-off the asset at such time.

Our consolidated revenues and consolidated income from continuing operations before taxes for the three months ended September 27, 2015 included revenues of \$70.1 million and income from continuing operations before taxes of \$7.0 million from Grass Valley. Our consolidated revenues and consolidated income from continuing operations before taxes for the nine months ended September 27, 2015 included revenues of \$164.6 million and a loss from continuing operations before taxes of \$15.2 million, respectively, from Grass Valley. Included in our consolidated income from continuing operations before taxes for the three and nine months ended September 27, 2015 are \$2.5 million and \$7.6 million, respectively, of amortization of intangible assets. We also recognized certain severance, restructuring, and acquisition integration costs in the three and nine months ended September 27, 2015 related to Grass Valley. See Note 7.

The following table illustrates the unaudited pro forma effect on operating results as if the Grass Valley and ProSoft acquisitions had been completed as of January 1, 2013.

Three Months Ended **Nine Months Ended**
September 28, **September 28,**
2014 **2014**
(In thousands, except per share
data)
(Unaudited)

| | | |
|---|------------|--------------|
| Revenues | \$ 612,617 | \$ 1,790,876 |
| Income from continuing operations | 36,036 | 49,645 |
| Diluted income per share from continuing operations | \$ 0.82 | \$ 1.12 |

The above unaudited pro forma financial information is presented for informational purposes only and does not purport to represent what our results of operations would have been had we completed the acquisitions on the date assumed, nor is it necessarily indicative of the results that may be expected in future periods. Pro forma adjustments exclude cost savings from any synergies resulting from the acquisition.

Note 3: Operating Segments

We are organized around five global business platforms: Broadcast, Enterprise Connectivity, Industrial Connectivity, Industrial IT, and Network Security. The Network Security platform was formed with our acquisition of Tripwire in January 2015. Each of the global business platforms represents a reportable segment.

Effective January 1, 2015, the key measures of segment profit or loss reviewed by our chief operating decision maker are Segment Revenues and Segment EBITDA. Segment Revenues represent non-affiliate revenues and include revenues that would have otherwise been recorded by acquired businesses as independent entities but were not recognized in our Consolidated Statements of Operations due to the effects of purchase accounting and the associated write-down of acquired deferred revenue to fair value. Segment EBITDA excludes certain items, including depreciation expense; amortization of intangibles; asset impairment; severance, restructuring, and acquisition integration costs; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value; and other costs. We allocate corporate expenses to the segments for purposes of measuring Segment EBITDA. Corporate expenses are allocated on the basis of each segment's relative EBITDA prior to the allocation. The prior period presentation has been updated accordingly.

Our measure of segment assets does not include cash, goodwill, intangible assets, deferred tax assets, or corporate assets. All goodwill is allocated to reporting units of our segments for purposes of impairment testing.

| | Broadcast Solutions | Enterprise Connectivity Solutions | Industrial Connectivity Solutions | Industrial IT Solutions | Network Security Solutions | Total Segments |
|---|------------------------|---|---|-------------------------------|----------------------------------|-------------------|
| (In thousands) | | | | | | |
| <u>As of and for the three months ended September 27, 2015</u> | | | | | | |
| Segment revenues | \$ 228,097 | \$ 113,773 | \$ 147,702 | \$ 59,184 | \$ 41,359 | \$ 590,115 |
| Affiliate revenues | 338 | 1,337 | 355 | 37 | - | 2,067 |
| Segment EBITDA | 34,880 | 18,232 | 23,225 | 10,466 | 11,240 | 98,043 |
| Depreciation expense | 4,261 | 2,922 | 2,810 | 570 | 1,255 | 11,818 |
| Amortization of intangibles | 12,647 | 136 | 799 | 1,480 | 10,607 | 25,669 |
| Severance, restructuring, and acquisition integration costs | 13,722 | 192 | 118 | 54 | 57 | 14,143 |
| Deferred gross profit adjustments | 419 | - | - | - | 10,909 | 11,328 |
| Segment assets | 401,405 | 211,114 | 250,622 | 61,441 | 41,520 | 966,102 |
| <u>As of and for the three months ended September 28, 2014</u> | | | | | | |
| Segment revenues | \$ 256,587 | \$ 115,349 | \$ 171,105 | \$ 70,090 | \$ - | \$ 613,131 |
| Affiliate revenues | 318 | 2,147 | 397 | 10 | - | 2,872 |
| Segment EBITDA | 38,450 | 17,730 | 26,487 | 13,618 | - | 96,285 |
| Depreciation expense | 3,856 | 3,134 | 3,150 | 606 | - | 10,746 |
| Amortization of intangibles | 13,020 | 162 | 266 | 1,755 | - | 15,203 |
| Severance, restructuring, and acquisition integration costs | 5,794 | 226 | 2,106 | 1,032 | - | 9,158 |
| Purchase accounting effects of acquisitions | - | - | - | 858 | - | 858 |
| Deferred gross profit adjustments | 2,357 | - | - | - | - | 2,357 |
| Segment assets | 433,063 | 223,726 | 270,078 | 64,757 | - | 991,624 |
| <u>As of and for the nine months ended September 27, 2015</u> | | | | | | |
| Segment revenues | \$ 661,098 | \$ 335,803 | \$ 461,549 | \$ 181,527 | \$ 118,102 | \$ 1,758,079 |
| Affiliate revenues | 1,059 | 4,287 | 1,086 | 68 | 8 | 6,508 |
| Segment EBITDA | 95,726 | 53,214 | 76,078 | 31,731 | 29,913 | 286,662 |
| Depreciation expense | 12,819 | 8,871 | 8,530 | 1,713 | 3,118 | 35,051 |
| Amortization of intangibles | 38,256 | 409 | 2,429 | 4,369 | 32,627 | 78,090 |

| | | | | | | |
|--|---------|---------|---------|--------|--------|---------|
| Severance, restructuring, and acquisition integration costs | 28,543 | 832 | 3,054 | 2 | 1,102 | 33,533 |
| Purchase accounting effects of acquisitions | - | - | 267 | - | 9,155 | 9,422 |
| Deferred gross profit adjustments | 2,789 | - | - | - | 43,637 | 46,426 |
| Segment assets | 401,405 | 211,114 | 250,622 | 61,441 | 41,520 | 966,102 |

**As of and for the nine
months ended
September 28, 2014**

| | | | | | | |
|--|------------|------------|------------|------------|------|--------------|
| Segment revenues | \$ 675,350 | \$ 345,015 | \$ 508,667 | \$ 177,460 | \$ - | \$ 1,706,492 |
| Affiliate revenues | 601 | 5,852 | 2,237 | 18 | - | 8,708 |
| Segment EBITDA | 95,939 | 51,572 | 79,631 | 32,012 | - | 259,154 |
| Depreciation expense | 11,346 | 10,633 | 7,992 | 1,672 | - | 31,643 |
| Amortization of intangibles | 37,963 | 497 | 802 | 3,477 | - | 42,739 |
| Severance, restructuring, and acquisition integration costs | 34,761 | 2,047 | 10,250 | 1,751 | - | 48,809 |
| Purchase accounting effects of acquisitions | 7,458 | 286 | 533 | 1,596 | - | 9,873 |
| Deferred gross profit adjustments | 6,722 | - | - | - | - | 6,722 |
| Segment assets | 433,063 | 223,726 | 270,078 | 64,757 | - | 991,624 |

The following table is a reconciliation of the total of the reportable segments' Revenues and EBITDA to consolidated revenues and consolidated income from continuing operations before taxes, respectively.

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| | (In thousands) | | (In thousands) | |
| Total Segment Revenues | \$ 590,115 | \$ 613,131 | \$ 1,758,079 | \$ 1,706,492 |
| Deferred revenue adjustments (1) | (10,849) | (2,357) | (46,101) | (7,137) |
| Consolidated Revenues | \$ 579,266 | \$ 610,774 | \$ 1,711,978 | \$ 1,699,355 |
| Total Segment EBITDA | \$ 98,043 | \$ 96,285 | \$ 286,662 | \$ 259,154 |
| Amortization of intangibles | (25,669) | (15,203) | (78,090) | (42,739) |
| Deferred gross profit adjustments (1) | (11,328) | (2,357) | (46,426) | (6,722) |
| Severance, restructuring, and acquisition integration costs (2) | (14,143) | (9,158) | (33,533) | (48,809) |
| Depreciation expense | (11,818) | (10,746) | (35,051) | (31,643) |
| Purchase accounting effects related to acquisitions (3) | - | (858) | (9,422) | (9,873) |
| Income from equity method investment | 348 | 1,030 | 1,459 | 3,240 |
| Eliminations | (931) | (982) | (2,056) | (2,760) |
| Consolidated operating income | 34,502 | 58,011 | 83,543 | 119,848 |
| Interest expense, net | (25,416) | (21,497) | (74,031) | (58,259) |
| Consolidated income from continuing operations before taxes | \$ 9,086 | \$ 36,514 | \$ 9,512 | \$ 61,589 |

(1) For the three and nine months ended September 27, 2015, both our consolidated revenues and gross profit were negatively impacted by the reduction of the acquired deferred revenue balance to fair value associated with our acquisition of Tripwire. See Note 2, *Acquisitions*.

(2) See Note 7, *Severance, Restructuring, and Acquisition Integration Activities*, for details.

(3) For the nine months ended September 27, 2015, we recognized \$9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards associated with our acquisition of Tripwire. In addition, we recognized \$0.3 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of Coast. For the nine months ended September 28, 2014, we recognized \$8.3 million of cost of sales related to the adjustment of acquired inventory to fair value for our acquisitions of Grass Valley and ProSoft. See Note 2, *Acquisitions*.

Note 4: Income per Share

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

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| | (In thousands) | | | |
| Numerator: | | | | |
| Income from continuing operations | \$ 14,811 | \$ 33,847 | \$ 16,852 | \$ 59,018 |
| Loss from discontinued operations, net of tax | (242) | - | (242) | - |

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| | | | | |
|---|---|---|------|-------|
| Loss from disposal of discontinued operations, net of tax | - | - | (86) | (562) |
|---|---|---|------|-------|

| | | | | |
|------------|-----------|-----------|-----------|-----------|
| Net income | \$ 14,569 | \$ 33,847 | \$ 16,524 | \$ 58,456 |
|------------|-----------|-----------|-----------|-----------|

Denominator:

| | | | | |
|---|--------|--------|--------|--------|
| Weighted average shares outstanding, basic | 42,417 | 43,201 | 42,536 | 43,439 |
| Effect of dilutive common stock equivalents | 491 | 709 | 581 | 725 |

| | | | | |
|--|--------|--------|--------|--------|
| Weighted average shares outstanding, diluted | 42,908 | 43,910 | 43,117 | 44,164 |
|--|--------|--------|--------|--------|

For the three and nine months ended September 27, 2015, diluted weighted average shares outstanding do not include outstanding equity awards of 0.5 million and 0.3 million, respectively, because to do so would have been anti-dilutive. For both the three and nine months ended September 28, 2014, diluted weighted average shares outstanding do not include outstanding equity awards of 0.2 million, because to do so would have been anti-dilutive.

For purposes of calculating basic earnings per share, unvested restricted stock units are not included in the calculation of basic weighted average shares outstanding until all necessary conditions have been satisfied and issuance of the shares underlying the restricted stock units is no longer contingent. Necessary conditions are not satisfied until the vesting date, at which time holders of our restricted stock units receive shares of our common stock.

For purposes of calculating diluted earnings per share, unvested restricted stock units are included to the extent that they are dilutive. In determining whether unvested restricted stock units are dilutive, each issuance of restricted stock units is considered separately.

Once a restricted stock unit has vested, it is included in the calculation of both basic and diluted weighted average shares outstanding.

Note 5: Inventories

The major classes of inventories were as follows:

| | September 27, 2015 | December 31, 2014 |
|------------------------------|--------------------|-------------------|
| | (In thousands) | |
| Raw materials | \$ 97,829 | \$ 106,955 |
| Work-in-process | 30,172 | 31,611 |
| Finished goods | 107,095 | 121,655 |
| Gross inventories | 235,096 | 260,221 |
| Excess and obsolete reserves | (25,008) | (31,823) |
| Net inventories | \$ 210,088 | \$ 228,398 |

Note 6: Long-Lived Assets

Disposals

During the nine months ended September 28, 2014, we sold certain property, plant, and equipment of the Broadcast segment for \$1.8 million. There was no gain or loss on the sale.

Depreciation and Amortization Expense

We recognized depreciation expense of \$11.8 million and \$35.1 million in the three and nine months ended September 27, 2015, respectively. We recognized depreciation expense of \$10.7 million and \$31.6 million in the three and nine months ended September 28, 2014, respectively.

We recognized amortization expense related to our intangible assets of \$25.7 million and \$78.1 million in the three and nine months ended September 27, 2015, respectively. We recognized amortization expense related to our intangible assets of \$15.2 million and \$42.7 million in the three and nine months ended September 28, 2014, respectively.

Note 7: Severance, Restructuring, and Acquisition Integration Activities

Productivity Improvement Program and Acquisition Integration

In 2014, we began a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program focused on improving the productivity of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the costs for the productivity improvement program related to the Industrial Connectivity, Enterprise, and Industrial IT segments. The restructuring and integration activities related to our acquisition of Grass Valley focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. The Grass Valley costs relate to our Broadcast segment. We substantially completed the productivity improvement program and the integration activities in the second fiscal quarter of 2015.

In the three months ended September 27, 2015 and September 28, 2014, we recorded severance, restructuring, and integration costs of \$0.1 million and \$9.2 million, respectively, related to these two significant programs, as well as other cost reduction actions and the integration of our acquisitions of ProSoft, Coast, and Tripwire. We recorded \$19.5 million and \$48.8 million of such costs in the nine months ended September 27, 2015 and September 28, 2014, respectively.

Grass Valley Restructuring Program

Our Broadcast segment has been negatively impacted by a decline in sales volume for our broadcast technology infrastructure products sold by our Grass Valley brand. Outside of the U.S., demand for these products has been impacted by the relative price increase of our products due to the strengthened U.S. dollar as well as the impact of lower energy prices, which result in lower capital spending. Within the U.S., demand for these products has been impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they navigate through a number of important industry transitions and a changing media landscape. In response to these current broadcast market conditions, we began to execute a restructuring program beginning in the third fiscal quarter of 2015 to further reduce our cost structure. We recognized approximately \$14.0 million of severance and other restructuring costs for this program for both the three and nine months ended September 27, 2015. We expect to incur approximately \$16 million of additional severance and other restructuring costs for this program, the majority of which will be incurred in the fourth fiscal quarter of 2015. We expect the restructuring program to generate approximately \$30 million of savings on an annualized basis, which we will begin to realize in the fourth fiscal quarter of 2015.

The following table summarizes the costs by segment of the various programs described above:

| Three Months Ended September 27, 2015 | Severance | Other Restructuring and Integration Costs (In thousands) | Total Costs |
|---|------------------|---|--------------------|
| Broadcast Solutions | \$ 11,978 | \$ 1,744 | \$ 13,722 |
| Enterprise Connectivity Solutions | 99 | 93 | 192 |
| Industrial Connectivity Solutions | - | 118 | 118 |
| Industrial IT Solutions | - | 54 | 54 |
| Network Security Solutions | - | 57 | 57 |
| Total | \$ 12,077 | \$ 2,066 | \$ 14,143 |
| <u>Three Months Ended September 28, 2014</u> | | | |
| Broadcast Solutions | \$ 54 | \$ 5,740 | \$ 5,794 |
| Enterprise Connectivity Solutions | (347) | 573 | 226 |
| Industrial Connectivity Solutions | 1,282 | 824 | 2,106 |
| Industrial IT Solutions | 823 | 209 | 1,032 |
| Network Security Solutions | - | - | - |
| Total | \$ 1,812 | \$ 7,346 | \$ 9,158 |
| <u>Nine Months Ended September 27, 2015</u> | | | |
| Broadcast Solutions | \$ 12,691 | \$ 15,852 | \$ 28,543 |
| Enterprise Connectivity Solutions | 171 | 661 | 832 |
| Industrial Connectivity Solutions | 967 | 2,087 | 3,054 |
| Industrial IT Solutions | (740) | 742 | 2 |
| Network Security Solutions | - | 1,102 | 1,102 |
| Total | \$ 13,089 | \$ 20,444 | \$ 33,533 |

Nine Months Ended September 28, 2014

| | | | | | | |
|-----------------------------------|-----------|---------------|-----------|---------------|-----------|---------------|
| Broadcast Solutions | \$ | 18,156 | \$ | 16,605 | \$ | 34,761 |
| Enterprise Connectivity Solutions | | 1,245 | | 802 | | 2,047 |
| Industrial Connectivity Solutions | | 9,393 | | 857 | | 10,250 |
| Industrial IT Solutions | | 1,409 | | 342 | | 1,751 |
| Network Security Solutions | | - | | - | | - |
| Total | \$ | 30,203 | \$ | 18,606 | \$ | 48,809 |

Of the total severance, restructuring, and acquisition integration costs recognized in the three months ended September 27, 2015, \$3.2 million, \$9.3 million, and \$1.6 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively. Of the total severance, restructuring, and acquisition integration costs recognized for the three months ended September 28, 2014, \$5.3 million, \$2.6 million, and \$1.3 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively.

Of the total severance, restructuring, and acquisition integration costs recognized in the nine months ended September 27, 2015, \$6.3 million, \$23.8 million, and \$3.4 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively. Of the total severance, restructuring, and acquisition integration costs recognized for the nine months ended September 28, 2014, \$13.3 million, \$32.6 million, and \$2.9 million were included in cost of sales; selling, general and administrative expenses; and research and development, respectively.

The other restructuring and integration costs primarily consisted of costs of integrating manufacturing operations, such as relocating inventory on a global basis, retention bonuses, relocation, travel, reserves for inventory obsolescence as a result of product line integration, costs to consolidate operating and support facilities, and other costs. The majority of the other restructuring and integration costs related to these actions were paid as incurred or are payable within the next 60 days.

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

Accrued Severance

The table below sets forth severance activity that occurred for the three significant programs described above. The balances are included in accrued liabilities.

| | Productivity Improvement Program | Grass Valley Integration | Grass Valley Restructuring |
|------------------------------|---|---|---|
| | (In thousands) | | |
| Balance at December 31, 2014 | \$ 7,141 | \$ 5,579 | \$ - |
| New charges | 887 | 2,165 | - |
| Cash payments | (1,455) | (2,370) | - |
| Foreign currency translation | (408) | (302) | - |
| Other adjustments | (170) | - | - |
| Balance at March 29, 2015 | \$ 5,995 | \$ 5,072 | \$ - |
| New charges | 22 | - | - |
| Cash payments | (1,268) | (1,709) | - |
| Foreign currency translation | 97 | 10 | - |
| Other adjustments | - | (1,590) | - |
| Balance at June 28, 2015 | \$ 4,846 | \$ 1,783 | \$ - |
| New charges | 99 | - | 11,978 |

| | | | |
|-------------------------------|----------|--------|-----------|
| Cash payments | (987) | (946) | (755) |
| Foreign currency translation | (29) | - | - |
| Balance at September 27, 2015 | \$ 3,929 | \$ 837 | \$ 11,223 |

The other adjustments in the nine months ended September 27, 2015 were the result of changes in estimates. We experienced higher than expected voluntary turnover, and as a result, certain approved severance actions were not taken. We expect the majority of the liabilities for these programs to be paid during the fourth fiscal quarter of 2015 and first fiscal quarter of 2016.

Note 8: Long-Term Debt and Other Borrowing Arrangements

The carrying values of our long-term debt and other borrowing arrangements were as follows:

| | September 27, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| | (In thousands) | |
| Revolving credit agreement due 2018 | \$ 200,000 | \$ - |
| Variable rate term loan due 2020 | 245,155 | 246,375 |
| Senior subordinated notes: | | |
| 5.25% Senior subordinated notes due 2024 | 200,000 | 200,000 |
| 5.50% Senior subordinated notes due 2023 | 566,207 | 616,326 |
| 5.50% Senior subordinated notes due 2022 | 700,000 | 700,000 |
| 9.25% Senior subordinated notes due 2019 | 5,221 | 5,221 |
| Total senior subordinated notes | 1,471,428 | 1,521,547 |
| Total debt and other borrowing arrangements | 1,916,583 | 1,767,922 |
| Less current maturities of Term Loan | (2,500) | (2,500) |
| Long-term debt | \$ 1,914,083 | \$ 1,765,422 |

Revolving Credit Agreement due 2018

Our revolving credit agreement provides a \$400 million multi-currency asset-based revolving credit facility (the Revolver). The borrowing base under the Revolver includes eligible accounts receivable; inventory; and property, plant, and equipment of certain of our subsidiaries in the U.S., Canada, Germany, the Netherlands, and the UK. In January 2015, we borrowed \$200.0 million under the Revolver in order to fund a portion of the purchase price for the acquisition of Tripwire (see Note 2). As of September 27, 2015, our available borrowing capacity was \$111.2 million. The Revolver matures in 2018. Interest on outstanding borrowings is variable, based upon LIBOR or other similar indices in foreign jurisdictions, plus a spread that ranges from 1.25% - 1.75%, depending upon our leverage position. The interest rate as of September 27, 2015 was 1.94%. We pay a commitment fee on our available borrowing capacity of 0.375%. In the event we borrow more than 90% of our borrowing base, we are subject to a fixed charge coverage ratio covenant.

Variable Rate Term Loan due 2020

In 2013, we borrowed \$250.0 million under a Term Loan Credit Agreement (the Term Loan). The Term Loan is secured on a second lien basis by the assets securing the Revolving Credit Agreement due 2018 discussed above and on a first lien basis by the stock of certain of our subsidiaries. The borrowings under the Term Loan are scheduled to mature in 2020 and require quarterly amortization payments of approximately \$0.6 million. The third payment in 2015 was due on September 30, 2015, in our fourth fiscal quarter. Interest under the Term Loan is variable, based upon the three-month LIBOR plus an applicable spread. The interest rate as of September 27, 2015 was 3.25%. We paid approximately \$3.9 million of fees associated with the Term Loan, which are being amortized over the life of the Term Loan using the effective interest method.

Senior Subordinated Notes

In June 2014, we issued \$200.0 million aggregate principal amount of 5.25% senior subordinated notes due 2024 (the 2024 Notes). The 2024 Notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The 2024 Notes rank equal in right of payment with our senior subordinated notes due 2023, 2022, and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver. Interest is payable

semiannually on January 15 and July 15 of each year. We paid approximately \$4.2 million of fees associated with the issuance of the 2024 Notes, which are being amortized over the life of the 2024 Notes using the effective interest method. We used the net proceeds from the transaction for general corporate purposes.

In March 2013, we issued 300.0 million (\$388.2 million at issuance) aggregate principal amount of 5.5% senior subordinated notes due 2023 (the 2023 Notes). In November 2014, we issued an additional 200.0 million (\$247.5 million at issuance) aggregate principal amount of 2023 Notes. The carrying value of the 2023 Notes as of September 27, 2015 is \$566.2 million. The 2023 Notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2024, 2022, and 2019 and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver. Interest is payable semiannually on April 15 and October 15 of each year. We paid \$12.7 million of fees associated with the issuance of the 2023 Notes, which are being amortized over the life of the notes using the effective interest method. We used the net proceeds from the transactions to repay amounts outstanding under the revolving credit component of our previously outstanding Senior Secured Facility and for general corporate purposes.

We have outstanding \$700.0 million aggregate principal amount of 5.5% senior subordinated notes due 2022 (the 2022 Notes). The 2022 Notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The 2022 Notes rank equal in right of payment with our senior subordinated notes due 2024, 2023, and 2019, and with any future subordinated debt, and they are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver. Interest is payable semiannually on March 1 and September 1 of each year.

We have outstanding \$5.2 million aggregate principal amount of our senior subordinated notes due 2019 (the 2019 Notes). The 2019 Notes have a coupon interest rate of 9.25% and an effective interest rate of 9.75%. The interest on the 2019 Notes is payable semiannually on June 15 and December 15. The 2019 notes are guaranteed on a senior subordinated basis by certain of our subsidiaries. The notes rank equal in right of payment with our senior subordinated notes due 2024, 2023, and 2022, and with any future senior subordinated debt, and are subordinated to all of our senior debt and the senior debt of our subsidiary guarantors, including our Term Loan and Revolver.

Fair Value of Long-Term Debt

The fair value of our senior subordinated notes as of September 27, 2015 was approximately \$1,422.6 million based on quoted prices of the debt instruments in inactive markets (Level 2 valuation). This amount represents the fair values of our senior subordinated notes with a carrying value of \$1,471.4 million as of September 27, 2015. We believe the fair values of our Revolver and Term Loan approximate the book values.

Note 9: Income Taxes

We recognized income tax benefits of \$5.7 million and \$7.3 million for the three and nine months ended September 27, 2015, respectively, representing effective tax rates of (63.0%) and (77.2%), respectively. Our full year forecasted effective tax rate on full year forecasted pre-tax income is a negative rate (an income tax benefit) as a result of implemented tax planning strategies. The tax benefit stems from being able to recognize a significant balance of foreign tax credits related to one of our foreign jurisdictions. In addition, a significant factor impacting the income tax benefit for the nine months ended September 27, 2015 was the recognition of a \$1.5 million tax benefit as a result of reducing a deferred tax valuation allowance related to a capital loss carryforward. Based on transactions in the nine months ended September 27, 2015, the capital loss carryforward has become fully realizable.

Note 10: Pension and Other Postretirement Obligations

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

| Three Months Ended | Pension Obligations | | Other Postretirement Obligations | |
|---|---------------------|--------------------|----------------------------------|--------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| | (In thousands) | | | |
| Service cost | \$ 1,344 | \$ 1,506 | \$ 11 | \$ (13) |
| Interest cost | 2,164 | 1,863 | 274 | (152) |
| Expected return on plan assets | (3,202) | (2,499) | - | - |
| Amortization of prior service cost (credit) | (15) | - | (16) | 18 |
| Actuarial losses | 1,349 | 1,718 | 107 | 72 |
| Net periodic benefit cost | \$ 1,640 | \$ 2,588 | \$ 376 | \$ (75) |

Nine Months Ended

| | | | | |
|---|----------|----------|----------|----------|
| Service cost | \$ 4,562 | \$ 5,086 | \$ 43 | \$ 48 |
| Interest cost | 6,909 | 7,266 | 1,076 | 924 |
| Expected return on plan assets | (9,515) | (9,440) | - | - |
| Amortization of prior service cost (credit) | (41) | 1 | (66) | (35) |
| Actuarial losses | 3,923 | 5,164 | 359 | 425 |
| Net periodic benefit cost | \$ 5,838 | \$ 8,077 | \$ 1,412 | \$ 1,362 |

Note 11: Comprehensive Income and Accumulated Other Comprehensive Income (Loss)

The following table summarizes total comprehensive income (loss):

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------------|--------------------|--------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| | (In thousands) | | | |
| Net income | \$ 14,569 | \$ 33,847 | \$ 16,524 | \$ 58,456 |
| Foreign currency translation loss, net of \$2.1 million, \$0.3 million, \$0.0 million, and \$0.5 million tax, respectively | (25,249) | (4,175) | (15,056) | (3,914) |
| Adjustments to pension and postretirement liability, net of \$0.5 million, \$0.7 million, \$1.6 million, and \$2.1 million tax, | 877 | 1,111 | 2,568 | 3,416 |

respectively

| | | | | |
|-----------------------------------|------------|-----------|----------|-----------|
| Total comprehensive income (loss) | \$ (9,803) | \$ 30,783 | \$ 4,036 | \$ 57,958 |
|-----------------------------------|------------|-----------|----------|-----------|

The accumulated balances related to each component of other comprehensive income (loss), net of tax, are as follows:

| | Foreign Currency Translation Component | Pension and Other Postretirement Benefit Plans (In thousands) | Accumulated Other Comprehensive Income (Loss) |
|--|---|--|--|
| Balance at December 31, 2014 | \$ (2,591) | \$ (43,440) | \$ (46,031) |
| Other comprehensive loss before reclassifications | (15,056) | - | (15,056) |
| Amounts reclassified from accumulated other comprehensive income | - | 2,568 | 2,568 |
| Net current period other comprehensive income (loss) | (15,056) | 2,568 | (12,488) |
| Balance at September 27, 2015 | \$ (17,647) | \$ (40,872) | \$ (58,519) |

The following table summarizes the effects of reclassifications from accumulated other comprehensive income (loss) for the nine months ended September 27, 2015:

| | Amount Reclassified from Affected Line Item in the Consolidated Accumulated Other Comprehensive Statements of Operations and Income (Loss) (In thousands) | Comprehensive Income |
|--|--|-----------------------------|
| Amortization of pension and other postretirement benefit plan items: | | |
| Actuarial losses | \$ 4,282 | (1) |
| Prior service credit | (107) | (1) |
| Total before tax | 4,175 | |
| Tax benefit | (1,607) | |
| Net of tax | \$ 2,568 | |

(1) The amortization of these accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit costs (see Note 10).

Note 12: Share Repurchases

In July 2011, our Board of Directors authorized a share repurchase program, which allows us to purchase up to \$150.0 million of our common stock through open market repurchases, negotiated transactions, or other means, in accordance with applicable securities laws and other restrictions. In November 2012, our Board of Directors authorized an extension of the share repurchase program, which allows us to purchase up to an additional \$200.0 million of our common stock. This program is funded by cash on hand and cash flows from operating activities. The program does not have an expiration date and may be suspended at any time at the discretion of the Company.

During both the three and nine months ended September 27, 2015, we repurchased 0.7 million shares of our common stock under the share repurchase program for an aggregate cost of \$39.1 million and an average price per share of \$55.95. The repurchase activities in the three months ended September 27, 2015 utilized all remaining authorized amounts under the share repurchase program. On a cumulative basis since inception of the program in 2011, we have repurchased 7.4 million shares of our common stock under the program for an aggregate cost of \$350.0 million and an average price of \$47.43.

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

Belden Inc. (the Company, us, we, or our) is an innovative signal transmission solutions company built around five global business platforms – Broadcast Solutions, Enterprise Connectivity Solutions, Industrial Connectivity Solutions, Industrial IT Solutions, and Network Security Solutions. Our comprehensive portfolio of signal transmission solutions provides industry leading secure and reliable transmission of data, sound, and video for mission critical applications.

We strive for operational excellence through the execution of our Belden Business System, which includes three areas of focus: Lean enterprise initiatives, our Market Delivery System, and our Talent Management System. Through operational excellence we generate significant free cash flow on an annual basis. We utilize the cash flow generated by our business to fuel our continued transformation and generate shareholder value. We believe our business system, balance across markets and geographies, systematic go-to-market approach, extensive portfolio of innovative solutions, commitment to Lean principles, and improving margins present a unique value proposition for shareholders.

We use a set of tools and processes that are designed to continuously improve business performance in the critical areas of quality, delivery, cost, and innovation. We consider revenue growth, Adjusted EBITDA margin, free cash flows, and return on invested capital to be our key operating performance indicators. We also seek to acquire businesses that we believe can help us achieve these objectives. The extent to which appropriate acquisitions are made and integrated can affect our overall growth, operating results, financial condition, and cash flows.

Trends and Events

The following trends and events during 2015 have had varying effects on our financial condition, results of operations, and cash flows.

Foreign currency

Our exposure to currency rate fluctuations primarily relates to exchange rate movements between the U.S. dollar and the euro, Canadian dollar, Hong Kong dollar, Chinese yuan, Japanese yen, Mexican peso, Australian dollar, British pound, and Brazilian real. Generally, as the U.S. dollar strengthens against these foreign currencies, our revenues and earnings are negatively impacted as our foreign denominated revenues and earnings are translated into U.S. dollars at a lower rate. Conversely, as the U.S. dollar weakens against foreign currencies, our revenues and earnings are positively impacted.

In addition to the translation impact described above, currency rate fluctuations have an economic impact on our financial results. As the U.S. dollar strengthens or weakens against foreign currencies, it results in a relative price increase or decrease for certain of our products that are priced in U.S. dollars in a foreign location.

Commodity prices

Our operating results can be affected by changes in prices of commodities, primarily copper and compounds, which are components in some of the products we sell. Generally, as the costs of inventory purchases increase due to higher commodity prices, we raise selling prices to customers to cover the increase in costs, resulting in higher sales revenue but a lower gross profit percentage. Conversely, a decrease in commodity prices would result in lower sales revenue but a higher gross profit percentage. Selling prices of our products are affected by many factors, including end market demand, capacity utilization, overall economic conditions, and commodity prices. Importantly, however, there is no exact measure of the effect of changing commodity prices, as there are thousands of transactions in any given quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices or other commodity prices are estimates.

Channel Inventory

Our operating results also can be affected by the levels of Belden products purchased and held as inventory by our channel partners and customers. Our channel partners and customers purchase and hold our products in their inventory in order to meet the service and on-time delivery requirements of their customers. Generally, as our channel partners and customers change the level of Belden products owned and held in their inventory, it impacts our revenues. Comparisons of our results between periods can be impacted by changes in the levels of channel inventory. We are dependent upon our channel partners to provide us with information regarding the amount of our products that they own and hold in their inventory. As such, all references to the effect of channel inventory changes are estimates.

Market Growth and Market Share

The broadcast, enterprise, industrial, and network security markets in which we operate can generally be characterized as highly competitive and highly fragmented, with many players. Based on available data for our served markets, we estimate that our market shares range from approximately 5% - 20%. A substantial acquisition in one of our served markets would be necessary to meaningfully change our estimated market share percentage. We monitor available data regarding market growth, including independent market research reports, publicly available indices, and the financial results of our direct and indirect peer companies, in order to estimate the extent to which our served markets grew or contracted during a particular period. We expect that our unit sales volume will increase or decrease consistently with the market growth rate. Our strategic goal is to utilize our Market Delivery System to target faster growing geographies, applications, and trends within our end markets, in order to achieve growth that is higher than the general market growth rate. To the extent that we exceed the market growth rates, we consider it to be the result of capturing market share.

Acquisitions

We completed the acquisitions of Tripwire Inc. (Tripwire) on January 2, 2015; Coast Wire & Plastic Tech., LLC (Coast) on November 20, 2014; ProSoft Technology, Inc. (ProSoft) on June 11, 2014; and Grass Valley USA, LLC and GVBB Holdings S.a.r.l. (collectively, Grass Valley), on March 31, 2014. The results of Tripwire, Coast, ProSoft, and Grass Valley have been included in our Consolidated Financial Statements from their respective acquisition dates and are reported in the Network Security, Industrial Connectivity, Industrial IT, and Broadcast segments, respectively.

Productivity Improvement Program and Acquisition Integration

In 2014, we began a productivity improvement program and the integration of our acquisition of Grass Valley. The productivity improvement program focused on improving the productivity of our sales, marketing, finance, and human resources functions relative to our peers. The majority of the costs for the productivity improvement program related to the Industrial Connectivity, Enterprise, and Industrial IT segments. We expected the productivity improvement program to reduce our operating expenses by approximately \$18 million on an annualized basis, and we are substantially realizing such benefits. The restructuring and integration activities related to our acquisition of Grass Valley focused on achieving desired cost savings by consolidating existing and acquired operating facilities and other support functions. The Grass Valley costs related to our Broadcast segment. We substantially completed the productivity improvement program and the integration activities in the second fiscal quarter of 2015.

In the three months ended September 27, 2015 and September 28, 2014, we recorded severance, restructuring, and integration costs of \$0.1 million and \$9.2 million, respectively, related to these two significant programs, as well as other cost reduction actions and the integration of our acquisitions of ProSoft, Coast, and Tripwire. We recorded \$19.5 million and \$48.8 million of such costs in the nine months ended September 27, 2015 and September 28, 2014, respectively. The other restructuring and integration costs primarily consisted of costs of integrating manufacturing operations, such as relocating inventory on a global basis, retention bonuses, relocation, travel, reserves for inventory obsolescence as a result of product line integration, costs to consolidate operating and support facilities, and other costs.

Grass Valley Restructuring Program

Our Broadcast segment has been negatively impacted by a decline in sales volume for our broadcast technology infrastructure products sold by our Grass Valley brand. Outside of the U.S., demand for these products has been impacted by the relative price increase of our products due to the strengthened U.S. dollar as well as the impact of lower energy prices, which result in lower capital spending. Within the U.S., demand for these products has been impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they

navigate through a number of important industry transitions and a changing media landscape. In response to these current broadcast market conditions, we began to execute a restructuring program in the third fiscal quarter of 2015 to further reduce our cost structure. We recognized

approximately \$14.0 million of severance and other restructuring costs for this program for both the three and nine months ended September 27, 2015. We expect to incur approximately \$16 million of additional severance and other restructuring costs for this program, the majority of which will be incurred in the fourth fiscal quarter of 2015. We expect the restructuring program to generate approximately \$30 million of savings on an annualized basis, which we will begin to realize in the fourth fiscal quarter of 2015.

We continuously review our business strategies. In order to remain competitive, our goal is to improve productivity on an annual basis. To the extent that market growth rates are low, we may need to restructure aspects of our business in order to meet our annual productivity targets. This could result in additional restructuring costs in future periods. The magnitude of restructuring costs in the future could be influenced by statutory requirements in the countries in which we operate and our internal policies with regard to providing severance benefits in the absence of statutory requirements.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

During the nine months ended September 27, 2015:

Our critical accounting policy regarding revenue recognition was updated as a result of the acquisition of Tripwire, as discussed below. We did not change any of our other existing critical accounting policies from those listed in our 2014 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 have certain products subject to the accounting guidance on software revenue recognition. For such products, software license revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product has occurred, the fee is fixed or determinable, collection is probable and vendor-specific objective evidence (VSOE) of the fair value of undelivered elements exists. As substantially all of the software licenses are sold in multiple-element arrangements that include either support and maintenance or both support and maintenance and professional services, we use the residual method to determine the amount of software license revenue to be recognized. Under the residual method, consideration is allocated to undelivered elements based upon VSOE of the fair value of those elements, with the residual of the arrangement fee allocated to and recognized as software license revenue. In our Network Security Solutions segment, we have established VSOE of the fair value of support and maintenance, subscription-based software licenses and professional services. Software license revenue is generally recognized upon delivery of the software if all revenue recognition criteria are met.

Revenue allocated to support services under our Network Security Solutions support and maintenance contracts is paid in advance and recognized ratably over the term of the service. Revenue allocated to subscription-based software and remote ongoing operational services is also paid in advance and recognized ratably over the term of the service. Revenue allocated to professional services, including remote implementation services, is recognized as the services are performed.

Results of Operations

Consolidated Income from Continuing Operations before Taxes

| | Three Months Ended | | % | Nine Months Ended | | % |
|--|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 27, 2015 | September 28, 2014 | Change | September 27, 2015 | September 28, 2014 | Change |
| | (In thousands, except percentages) | | | | | |
| Revenues | \$ 579,266 | \$ 610,774 | -5.2% | \$ 1,711,978 | \$ 1,699,355 | 0.7% |
| Gross profit | 226,131 | 221,732 | 2.0% | 668,056 | 601,834 | 11.0% |
| Selling, general and administrative expenses | 128,140 | 119,104 | 7.6% | 396,883 | 359,854 | 10.3% |
| Research and development | 38,168 | 30,444 | 25.4% | 110,999 | 82,633 | 34.3% |
| Amortization of intangibles | 25,669 | 15,203 | 68.8% | 78,090 | 42,739 | 82.7% |
| Operating income | 34,502 | 58,011 | -40.5% | 83,543 | 119,848 | -30.3% |
| Interest expense, net | 25,416 | 21,497 | 18.2% | 74,031 | 58,259 | 27.1% |
| Income from continuing operations before taxes | 9,086 | 36,514 | -75.1% | 9,512 | 61,589 | -84.6% |

Revenues decreased in the three months ended September 27, 2015 and increased in the nine months ended September 27, 2015 from the comparable periods of 2014 due to the following factors:

Acquisitions contributed \$34.9 million and \$159.8 million of revenues, respectively.

Unfavorable currency translation, primarily due to the strengthened U.S. dollar compared to the euro and the Canadian dollar, resulted in revenue decreases of \$36.5 million and \$103.2 million, respectively.

Decreases in unit sales volume resulted in decreases in revenues of \$16.5 million and \$16.0 million, respectively.

Soft demand for our broadcast infrastructure and industrial products was partially offset by strong demand for our enterprise and broadband connectivity products. From a geographic perspective, weakness in China, Europe, and Latin America was partially offset by strength in the U.S. and Canada.

Lower copper costs resulted in revenue decreases of \$13.4 million and \$28.0 million, respectively.

Gross profit for the three and nine months ended September 27, 2015 included \$3.2 million and \$6.3 million, respectively, of severance, restructuring, and acquisition integration costs. Gross profit for the nine months ended September 27, 2015 also included \$0.3 million of cost of sales arising from the adjustment of inventory to fair value related to our acquisition of Coast. Gross profit for the three and nine months ended September 28, 2014 included \$5.3 million and \$13.3 million, respectively, of severance, restructuring, and integration costs, and \$0.9 million and \$8.3 million, respectively, of cost of sales arising from the adjustment of inventory to fair value related to our acquisitions of Grass Valley and ProSoft.

Excluding these costs, gross profit for the three and nine months ended September 27, 2015 increased by \$1.4 million and \$51.3 million from the comparable periods of 2014, respectively, primarily due to acquisitions. Acquisitions contributed \$26.7 million and \$98.6 million of gross profit in the three and nine months ended September 27, 2015, respectively. The gross profit from acquisitions was partially offset by the impact of the decline in sales volume and unfavorable product mix, particularly in the Broadcast segment. Additionally, unfavorable currency translation reduced gross profit by \$12.3 million and \$37.8 million, respectively.

Selling, general and administrative expenses increased by \$9.0 million in the three months ended September 27, 2015 from the comparable period of 2014 primarily due to our acquisitions. Acquisitions contributed \$15.8 million of selling, general, and administrative expenses in the three months ended September 27, 2015. Additionally, severance,

restructuring, and acquisition integration costs increased by \$6.7 million. These increases were partially offset by favorable currency translation of \$8.5 million and improved productivity of \$5.0 million.

Selling, general and administrative expenses increased by \$37.0 million in the nine months ended September 27, 2015 from the comparable period of 2014 primarily due to our acquisitions. Acquisitions contributed \$70.8 million of selling, general, and administrative expenses in the nine months ended September 27, 2015. We also recognized \$9.2 million of compensation expense as a result of accelerating the vesting of certain acquiree equity awards at the closing of the Tripwire acquisition in the nine months ended September 27, 2015. These increases were partially offset by a decrease in severance, restructuring, and acquisition integration costs of \$8.7 million. In addition, selling, general, and administrative expenses decreased due to favorable currency translation of \$19.8 million and improved productivity of \$14.5 million.

Research and development expenses increased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 primarily due to our acquisitions. Acquisitions contributed \$8.7 million and \$34.0 million of research and development expenses in the three and nine months ended September 27, 2015, respectively. These increases were partially offset by favorable currency translation of \$2.4 million and \$7.2 million, respectively. Research and development expenses also decreased due to improved productivity as a result of completed restructuring actions.

Amortization of intangibles increased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 due to our acquisitions. Acquisitions contributed \$11.2 million and \$38.8 million of amortization of intangibles in the three and nine months ended September 27, 2015, respectively. The increases were partially offset by favorable currency translation.

Operating income decreased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 due to the increases in selling, general, and administrative expenses, research and development expenses, and amortization of intangibles discussed above, partially offset by the increases in gross profit.

Interest expense increased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 due to the increase in our long-term debt balance as compared to the prior year.

Income from continuing operations before taxes decreased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 due to the decreases in operating income and increases in interest expense discussed above.

Income Taxes

| | Three Months Ended | | % | Nine Months Ended | | % |
|--|------------------------------------|---------------------------|---------------|---------------------------|---------------------------|---------------|
| | September 27, 2015 | September 28, 2014 | Change | September 27, 2015 | September 28, 2014 | Change |
| | (In thousands, except percentages) | | | | | |
| Income from continuing operations before taxes | \$ 9,086 | \$ 36,514 | -75.1% | \$ 9,512 | \$ 61,589 | -84.6% |
| Income tax benefit (expense) | 5,725 | (2,667) | -314.7% | 7,340 | (2,571) | -385.5% |
| Effective tax rate | -63.0% | 7.3% | | -77.2% | 4.2% | |

We recognized income tax benefits of \$5.7 million and \$7.3 million for the three and nine months ended September 27, 2015, respectively, representing effective tax rates of (63.0%) and (77.2%), respectively. Our full year forecasted effective tax rate on full year forecasted pre-tax income is a negative rate (an income tax benefit) as a result of implemented tax planning strategies. The tax benefit stems from being able to recognize a significant balance of foreign tax credits related to one of our foreign jurisdictions. In addition, a significant factor impacting the income tax benefit for the nine months ended September 27, 2015 was the recognition of a \$1.5 million tax benefit as a result of reducing a deferred tax valuation allowance related to a capital loss carryforward. Based on transactions in the nine months ended September 27, 2015, the capital loss carryforward has become fully realizable.

Our income tax expense was also impacted by foreign tax rate differences. The statutory tax rates associated with our foreign earnings generally are lower than the statutory U.S. tax rate of 35%. This had the greatest impact on our income from continuing operations before taxes that is generated in Germany, Canada, and the Netherlands, which have statutory tax rates of approximately 28%, 26%, and 25%, respectively. Foreign tax rate differences reduced our income tax expense by approximately \$2.0 million and \$9.7 million for the nine months ended September 27, 2015 and September 28, 2014, respectively.

Our income tax expense and effective tax rate in future periods may be impacted by many factors, including our geographic mix of income and changes in tax laws.

Consolidated Adjusted Revenues and Adjusted EBITDA

| | Three Months Ended | | | Nine Months Ended | | |
|--------------------------|------------------------------------|--------------------|----------|--------------------|--------------------|----------|
| | September 27, 2015 | September 28, 2014 | % Change | September 27, 2015 | September 28, 2014 | % Change |
| | (In thousands, except percentages) | | | | | |
| Adjusted Revenues | \$ 590,115 | \$ 613,131 | -3.8% | \$ 1,758,079 | \$ 1,706,492 | 3.0% |
| Adjusted EBITDA | 97,460 | 96,333 | 1.2% | 286,065 | 259,634 | 10.2% |
| <i>as a percent of</i> | | | | | | |
| <i>adjusted revenues</i> | 16.5% | 15.7% | | 16.3% | 15.2% | |

Adjusted Revenues decreased in the three months ended September 27, 2015 and increased in the nine months ended September 27, 2015 from the comparable periods of 2014 due to the following factors:

Acquisitions contributed \$45.8 million and \$205.8 million of revenues, respectively.

Unfavorable currency translation, primarily due to the strengthening U.S. dollar compared to the euro and the Canadian dollar, resulted in revenue decreases of \$36.5 million and \$103.2 million, respectively.

Decreases in unit sales volume resulted in decreases in revenues of \$18.9 million and \$23.0 million, respectively.

Soft demand for our broadcast infrastructure and industrial products was partially offset by strong demand for our enterprise and broadband connectivity products. From a geographic perspective, weakness in China, Europe, and Latin America was partially offset by strength in the U.S. and Canada.

Lower copper costs resulted in revenue decreases of \$13.4 million and \$28.0 million, respectively.

Adjusted EBITDA increased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 primarily due to acquisitions, which contributed \$14.4 million and \$43.6 million of Adjusted EBITDA, respectively. In addition, Adjusted EBITDA increased due to improved productivity as a result of our recently completed restructuring activities. These factors were partially offset by the impact of the declines in unit sales volume discussed above, as well as unfavorable product mix. Further, unfavorable currency translation resulted in decreases in Adjusted EBITDA of \$2.2 million and \$13.1 million, respectively.

Use of Non-GAAP Financial Information

Adjusted Revenues and Adjusted EBITDA are non-GAAP financial measures. In addition to reporting financial results in accordance with accounting principles generally accepted in the United States, we provide these non-GAAP results adjusted for certain items, including: asset impairments; accelerated depreciation expense due to plant consolidation activities; purchase accounting effects related to acquisitions, such as the adjustment of acquired inventory and deferred revenue to fair value and transaction costs; revenue and cost of sales deferrals for certain acquired product lines subject to software revenue recognition accounting requirements; severance, restructuring, and acquisition integration costs; gains (losses) recognized on the disposal of businesses and tangible assets; amortization of intangible assets; depreciation expense; gains (losses) on debt extinguishment; discontinued operations; and other costs. We utilize the adjusted results to review our ongoing operations without the effect of these adjustments and for comparison to budgeted operating results. We believe the adjusted results are useful to investors because they help them compare our results to previous periods and provide important insights into underlying trends in the business and how management oversees our business operations on a day-to-day basis. Adjusted results should be considered only in conjunction with results reported according to accounting principles generally accepted in the United States and may not be comparable to similarly titled measures presented by other companies. The following tables reconcile our non-GAAP financial measures to our GAAP results:

| | Three Months Ended | | Nine Months Ended | |
|---|------------------------------------|--------------------|--------------------|--------------------|
| | September 27, 2015 | September 28, 2014 | September 27, 2015 | September 28, 2014 |
| | (In thousands, except percentages) | | | |
| GAAP revenues | \$ 579,266 | \$ 610,774 | \$ 1,711,978 | \$ 1,699,355 |
| Deferred revenue adjustments (1) | 10,849 | 2,357 | 46,101 | 7,137 |
| Adjusted revenues | \$ 590,115 | \$ 613,131 | \$ 1,758,079 | \$ 1,706,492 |
| GAAP operating income | \$ 34,502 | \$ 58,011 | \$ 83,543 | \$ 119,848 |
| Amortization of intangible assets | 25,669 | 15,203 | 78,090 | 42,739 |
| Severance, restructuring, and acquisition integration costs (2) | 14,143 | 9,158 | 33,533 | 48,809 |
| Deferred gross profit adjustments (1) | 11,328 | 2,357 | 46,426 | 6,722 |
| Purchase accounting effects related to acquisitions (3) | - | 858 | 9,422 | 9,873 |
| Depreciation expense | 11,818 | 10,746 | 35,051 | 31,643 |
| Adjusted EBITDA | \$ 97,460 | \$ 96,333 | \$ 286,065 | \$ 259,634 |

| | | | | |
|------------------------------|-------|-------|-------|-------|
| GAAP operating income margin | 6.0% | 9.5% | 4.9% | 7.1% |
| Adjusted EBITDA margin | 16.5% | 15.7% | 16.3% | 15.2% |

(1) For the nine months ended September 27, 2015, both our consolidated revenues and gross profit were negatively impacted by the reduction of the acquired deferred revenue balance to fair value associated with our acquisition of Tripwire. See Note 2 to the Condensed Consolidated Financial Statements, *Acquisitions*.

(2) See Note 7 to the Condensed Consolidated Financial Statements, *Severance, Restructuring, and Acquisition Integration Activities*, for details.

(3) For the nine months ended September 27, 2015, we recognized \$9.2 million of compensation expense related to the accelerated vesting of acquiree stock based compensation awards associated with our acquisition of Tripwire. In addition, we recognized \$0.3 million of cost of sales related to the adjustment of acquired inventory to fair value related to our acquisition of Coast. For the nine months ended September 28, 2014, we recognized \$8.3 million of cost of sales related to the adjustment of acquired inventory to fair value for our acquisitions of Grass Valley and ProSoft. See Note 2 to the Condensed Consolidated Financial Statements, *Acquisitions*.

Segment Results of Operations

For additional information regarding our segment measures, see Note 3 to the Condensed Consolidated Financial Statements.

Broadcast Solutions

| | Three Months Ended | % | Nine Months Ended | % |
|--|--------------------|--------------------|--------------------|--------------------|
| | September 27, 2015 | Change | September 27, 2015 | Change |
| | September 28, 2014 | September 28, 2014 | September 28, 2014 | September 28, 2014 |

(In thousands, except percentages)

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| | | | | | | |
|---|--------------|--------------|--------|--------------|--------------|-------|
| Segment Revenues | \$ 228,097 | \$ 256,587 | -11.1% | \$ 661,098 | \$ 675,350 | -2.1% |
| Segment EBITDA | 34,880 | 38,450 | -9.3% | 95,726 | 95,939 | -0.2% |
| <i>as a percent of segment revenues</i> | <i>15.3%</i> | <i>15.0%</i> | | <i>14.5%</i> | <i>14.2%</i> | |

Broadcast revenues decreased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 due to decreases in unit sales volume of \$16.1 million and \$37.9 million, respectively. The decrease in volume related to our broadcast technology infrastructure products sold by our Grass Valley brand. The decrease in volume for these products was most significant outside of the U.S., due to the the relative price increase of our products from the strengthened U.S. dollar as well as the impact of lower energy prices, which result in lower capital spending. Within the U.S., volume for these products was negatively impacted by deferred capital spending. We believe broadcast customers have deferred their capital spending as they navigate through a number of important industry transitions and a changing media landscape. The decline in volume for broadcast infrastructure products has been partially offset by strong demand for our broadband connectivity products, sold by our PPC brand. In addition, unfavorable currency translation resulted in revenue decreases of \$10.5 million and \$25.8 million, respectively. Lower copper costs resulted in decreases in revenues of \$1.9 million and \$3.9 million, respectively. Acquisitions contributed \$53.3 million of revenues in the nine months ended September 27, 2015.

Broadcast EBITDA decreased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 primarily due to the declines in revenues, as discussed above. In addition, Broadcast EBITDA decreased due to unfavorable product mix. These factors were partially offset by improved productivity as a result of our recently completed restructuring and acquisition integration activities. Accordingly, Broadcast EBITDA margins increased to 15.3% and 14.5% for the three and nine months ended September 27, 2015, respectively.

Enterprise Connectivity Solutions

| | Three Months Ended | | % | Nine Months Ended | | % |
|---|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 27, 2015 | September 28, 2014 | Change | September 27, 2015 | September 28, 2014 | Change |
| | (In thousands, except percentages) | | | | | |
| Segment Revenues | \$ 113,773 | \$ 115,349 | -1.4% | \$ 335,803 | \$ 345,015 | -2.7% |
| Segment EBITDA | 18,232 | 17,730 | 2.8% | 53,214 | 51,572 | 3.2% |
| <i>as a percent of segment revenues</i> | <i>16.0%</i> | <i>15.4%</i> | | <i>15.8%</i> | <i>14.9%</i> | |

Enterprise Connectivity revenues decreased in the three and nine months ended September 27, 2015 from the comparable periods of 2014. Unfavorable currency translation resulted in revenue decreases of \$6.8 million and \$19.5 million, respectively. Lower copper costs resulted in revenue decreases of \$4.9 million and \$9.4 million, respectively. Increases in unit sales volume resulted in increases in revenues of \$10.1 million and \$19.7 million, respectively. The increase in unit sales volume was most notable in the U.S. Sales volume benefited from improved non-residential construction spending.

Enterprise Connectivity EBITDA increased in the three and nine months ended September 27, 2015 from the comparable periods of 2014 due to the increases in units sales volume discussed above and improved product mix as a result of increased focus on the sale of end-to-end solutions. Accordingly, EBITDA margins improved to 16.0% and 15.8% for the three and nine months ended September 27, 2015, respectively.

Industrial Connectivity Solutions

| | Three Months Ended | | % | Nine Months Ended | | % |
|---|------------------------------------|--------------------|--------|--------------------|--------------------|--------|
| | September 27, 2015 | September 28, 2014 | Change | September 27, 2015 | September 28, 2014 | Change |
| | (In thousands, except percentages) | | | | | |
| Segment Revenues | \$ 147,702 | \$ 171,105 | -13.7% | \$ 461,549 | \$ 508,667 | -9.3% |
| Segment EBITDA | 23,225 | 26,487 | -12.3% | 76,078 | 79,631 | -4.5% |
| <i>as a percent of segment revenues</i> | <i>15.7%</i> | <i>15.5%</i> | | <i>16.5%</i> | <i>15.7%</i> | |

Industrial Connectivity revenues decreased in the three and nine months ended September 27, 2015 from the comparable periods of 2014. Unfavorable currency translation resulted in revenue decreases of \$12.0 million and \$34.6 million, respectively. Lower copper costs resulted in revenue decreases of \$6.6 million and \$14.7 million, respectively. Decreases in unit sales volume resulted in revenue decreases of \$9.2 million and \$9.6 million, respectively. Sales volume declines resulted primarily from the impact of lower energy prices, which result in lower capital spending for industrial projects. The acquisition of Coast in November 2014 contributed \$4.4 million and \$11.8 million in revenues for the three and nine months ended September 27, 2015, respectively.

Industrial Connectivity EBITDA decreased in the three and nine months ended September 27, 2015 from the comparable periods of the prior year by \$3.3 million and \$3.6 million, respectively. EBITDA was negatively impacted by unfavorable currency translation of \$1.3 million and \$3.9 million, respectively. The decreases in revenues discussed above also contributed to the decreases in EBITDA. The decreases in EBITDA were partially offset by the acquisition of Coast, which contributed EBITDA of \$1.7 million and \$4.1 million, respectively, favorable product mix, and improved productivity due to our recently completed restructuring activities.

Industrial IT Solutions

| | Three Months | | | Nine Months Ended | | |
|---|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | Ended | | % | Ended | | % |
| | September 27, 2015 | September 28, 2014 | Change | September 27, 2015 | September 28, 2014 | Change |
| (In thousands, except percentages) | | | | | | |
| Segment Revenues | \$ 59,184 | \$ 70,090 | -15.6% | \$ 181,527 | \$ 177,460 | 2.3% |
| Segment EBITDA | 10,466 | 13,618 | -23.1% | 31,731 | 32,012 | -0.9% |
| <i>as a percent of segment revenues</i> | <i>17.7%</i> | <i>19.4%</i> | | <i>17.5%</i> | <i>18.0%</i> | |

Industrial IT revenues decreased in the three months ended September 27, 2015 from the comparable period of 2014, primarily due to unfavorable currency translation of \$7.1 million. In addition, decreases in unit sales volume resulted in a decrease in revenues of \$3.8 million. Sales volume decreases in the three months ended September 27, 2015 were most notable within the United States and Canada.

Industrial IT revenues increased in the nine months ended September 27, 2015 from the comparable period of 2014, primarily due to the acquisition of ProSoft, which contributed \$22.6 million of revenues. Increases in unit sales volume resulted in an increase in revenues of \$4.7 million. Unfavorable currency translation of \$23.2 million partially offset the increases in revenues.

Industrial IT EBITDA decreased in the three months ended September 27, 2015 from the comparable period of 2014, primarily due to the decrease in revenues discussed above. Additionally, unfavorable currency translation resulted in a decrease in EBITDA of \$2.7 million. These factors were partially offset by improved productivity as a result of our recently completed restructuring activities.

Industrial IT EBITDA decreased in the nine months ended September 27, 2015 from the comparable period of 2014, primarily due to unfavorable currency translation of approximately \$9.7 million. This decrease was partially offset by the acquisition of ProSoft, which contributed \$4.8 million of EBITDA in the nine months ended September 27, 2015, and improved productivity as a result of our recently completed restructuring activities.

Network Security Solutions

| | Three Months | | | Nine Months Ended | | |
|---|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | Ended | | % | Ended | | % |
| | September 27, 2015 | September 28, 2014 | Change | September 27, 2015 | September 28, 2014 | Change |
| (In thousands, except percentages) | | | | | | |
| Segment Revenues | \$ 41,359 | \$ - | n/a | \$ 118,102 | \$ - | n/a |
| Segment EBITDA | 11,240 | - | n/a | 29,913 | - | n/a |
| <i>as a percent of segment revenues</i> | <i>27.2%</i> | <i>n/a</i> | | <i>25.3%</i> | <i>n/a</i> | |

Network Security consists of the Tripwire business acquired on January 2, 2015. Tripwire is a leading global provider of advanced threat, security and compliance solutions. The Network Security Solutions EBITDA margins for the three and nine months ended September 27, 2015 of 27.2% and 25.3%, respectively, are reflective of the margins for software solutions, which are higher than margins on product lines in our other global platforms.

Discontinued Operations

In 2010, we completed the sale of Trapeze Networks, Inc. (Trapeze) for \$152.1 million and recognized a pre-tax gain of \$88.3 million (\$44.8 million after-tax). At the time the transaction closed, we received \$136.9 million in cash, and the remaining \$15.2 million was placed in escrow as partial security for our indemnity obligations under the sale agreement. During 2013, we collected a partial settlement of \$4.2 million from the escrow. During 2015, we agreed to a final settlement with the buyer of Trapeze regarding the escrow. In the nine months ended September 27, 2015, we collected \$3.5 million of the escrow receivable and recognized a \$0.2 million (\$0.1 million net of tax) loss from disposal of discontinued operations. Additionally, in both the three and nine months ended September 27, 2015, we recognized a \$0.2 million net loss from discontinued operations for income tax expense related to this disposed business.

In 2012, we sold our Thermax and Raydex cable business for \$265.6 million in cash and recognized a pre-tax gain of \$211.6 million (\$124.7 million net of tax). At the time the transaction closed, we received \$265.6 million in cash, subject to a working capital adjustment. In the nine months ended September 28, 2014, we recognized a \$0.9 million (\$0.6 million net of tax) loss from disposal of discontinued operations related to this business as a result of settling the working capital adjustment and other matters.

Liquidity and Capital Resources

Significant factors affecting our cash liquidity include (1) cash from operating activities, (2) disposals of businesses and tangible assets, (3) cash used for acquisitions, restructuring actions, capital expenditures, share repurchases, dividends, and senior subordinated note repurchases, and (4) our available credit facilities and other borrowing arrangements. In the first quarter of each year, cash from operating activities reflects the payments of annual rebates to our channel partners and incentive compensation to our associates. We expect our operating activities to generate cash in 2015 and believe our sources of liquidity are sufficient to fund current working capital requirements, capital expenditures, contributions to our retirement plans, share repurchases, senior subordinated note repurchases, quarterly dividend payments, and our short-term operating strategies. However, we may require external financing were we to complete a significant acquisition. Our ability to continue to fund our future needs from business operations could be affected by many factors, including, but not limited to: economic conditions worldwide, customer demand, competitive market forces, customer acceptance of our product mix, and commodities pricing.

The following table is derived from our Condensed Consolidated Cash Flow Statements:

| | Nine Months Ended | |
|--|--------------------|--------------------|
| | September 27, 2015 | September 28, 2014 |
| | (In thousands) | |
| Net cash provided by (used for): | | |
| Operating activities | \$ 91,981 | \$ 64,766 |
| Investing activities | (730,779) | (343,305) |
| Financing activities | 146,215 | 120,384 |
| Effects of currency exchange rate changes on cash and cash equivalents | (6,682) | (6,047) |
| Decrease in cash and cash equivalents | (499,265) | (164,202) |
| Cash and cash equivalents, beginning of period | 741,162 | 613,304 |
| Cash and cash equivalents, end of period | \$ 241,897 | \$ 449,102 |

Net cash provided by operating activities totaled \$92.0 million for the nine months ended September 27, 2015, compared to \$64.8 million for the comparable period of 2014. The most significant factor impacting the increase in cash provided by operating activities was the change in operating assets and liabilities. For the nine months ended September 27, 2015, changes in operating assets and liabilities were a use of cash of \$45.0 million, compared to \$74.1 million for the comparable period of 2014.

Receivables were a use of cash of \$6.5 million for the nine months ended September 27, 2015, compared to a use of cash of \$44.6 million for the nine months ended September 28, 2014. The use of cash for receivables improved as a result of the decline in sales volume compared to the prior year.

Inventories were a source of cash of \$8.0 million for the nine months ended September 27, 2015, while inventories were a source of cash of \$4.2 million for the comparable period of 2014. Inventories improved as a source of cash due to our Lean enterprise initiatives as well as the decline in sales volume compared to the prior year.

Accounts payable were a use of cash of \$56.0 million for the nine months ended September 27, 2015, compared to a use of cash of \$7.6 million for the nine months ended September 28, 2014. The use of cash for accounts payable increased primarily due to the timing of payments.

Accrued liabilities were a source of cash of \$29.4 million for the nine months ended September 27, 2015, compared to a use of cash of \$24.4 million for the nine months ended September 28, 2014. The source of cash for accrued liabilities improved primarily as a result of the increase in deferred revenue for our acquired Network Security segment.

Net cash used for investing activities totaled \$730.8 million for the nine months ended September 27, 2015 compared to \$343.3 million for the nine months ended September 28, 2014. Investing activities for the nine months ended September 27, 2015 included payments for acquisitions, net of cash acquired, of \$695.3 million and capital expenditures of \$39.1 million. Investing activities for the nine months ended September 28, 2014 included payments for acquisitions, net of cash acquired, of \$313.1 million and capital expenditures of \$31.1 million.

Net cash provided by financing activities for the nine months ended September 27, 2015 totaled \$146.2 million, compared to \$120.4 million for the nine months ended September 28, 2014. Financing activities for the nine months ended September 27, 2015 included borrowings of \$200.0 million to partially fund the acquisition of Tripwire, payments under our share repurchase program of \$39.1 million, net payments related to share based compensation activities of \$6.5 million, and cash dividend payments of \$6.4 million. Financing activities for the nine months ended September 28, 2014 included the issuance of \$200.0 million of 5.25% senior subordinated notes due 2024, payments under our share repurchase program of \$62.2 million, debt issuance cost payments of \$6.6 million, and cash dividend payments of \$6.6 million.

Our cash and cash equivalents balance was \$241.9 million as of September 27, 2015. Of this amount, \$141.8 million was held outside of the U.S. in our foreign operations. Substantially all of the foreign cash and cash equivalents are readily convertible into U.S. dollars or other foreign currencies. Our strategic plan does not require the repatriation of foreign cash in order to fund our operations in the U.S., and it is our current intention to permanently reinvest the foreign cash and cash equivalents outside of the U.S. If we were to repatriate the foreign cash to the U.S., we may be required to accrue and pay U.S. taxes in accordance with applicable U.S. tax rules and regulations as a result of the repatriation.

Our outstanding debt obligations as of September 27, 2015 consisted of \$1.5 billion of senior subordinated notes, \$245.2 million of term loan borrowings, and \$200.0 million of borrowings under our Revolver. Additional discussion regarding our various borrowing arrangements is included in Note 8 to the Condensed Consolidated Financial Statements. As of September 27, 2015, we had \$111.2 million in available borrowing capacity under our Revolver.

Forward-Looking Statements

Statements in this report other than historical facts are forward-looking statements made in reliance upon the safe harbor of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statements regarding future financial performance (including revenues, expenses, earnings, margins, cash flows, dividends, capital expenditures and financial condition), plans and objectives, and related assumptions. These forward-looking statements reflect management's current beliefs and expectations and are not guarantees of future performance. Actual results may differ materially from those suggested by any forward-looking statements for a number of reasons, including: the impact of a challenging global economy or a downturn in served markets; the cost and availability of raw materials including copper, plastic compounds, electronic components, and other materials; the competitiveness of the global broadcast, enterprise, and industrial markets; disruption of, or changes in, the Company's key distribution channels; volatility in credit and foreign exchange markets; the inability to successfully complete and integrate acquisitions in furtherance of the Company's strategic plan; the inability to execute and realize the expected benefits

from strategic initiatives (including revenue growth, cost control, and productivity improvement programs); political and economic uncertainties in the countries where the Company conducts business, including emerging markets;

the inability of the Company to develop and introduce new products and competitive responses to our products; assertions that the Company violates the intellectual property of others and the ownership of intellectual property by competitors and others that prevents the use of that intellectual property by the Company; variability in the Company's quarterly and annual effective tax rates; the impairment of goodwill and other intangible assets and the resulting impact on financial performance; the impact of regulatory requirements and other legal compliance issues; disruptions in the Company's information systems including due to cyber-attacks; perceived or actual product failures; risks related to the use of open source software; disruptions and increased costs attendant to collective bargaining groups and other labor matters; and other factors.

For a more complete discussion of risk factors, please see our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission on February 23, 2015. We disclaim any duty to update any forward-looking statements as a result of new information, future developments, or otherwise.

Item 3: Quantitative and Qualitative Disclosures about Market Risks

The following table provides information about our financial instruments that are sensitive to changes in interest rates. The table presents principal amounts by expected maturity dates and fair values as of September 27, 2015.

| | Principal Amount by Expected Maturity | | | Fair Value |
|---|---------------------------------------|------------|---------------------|---------------------|
| | 2015 | Thereafter | Total | |
| | (In thousands, except interest rates) | | | |
| Revolving credit agreement due 2018 | \$ - | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| Average interest rate | | 1.94% | | |
| Variable-rate term loan due 2020 | \$ 1,250 | \$ 243,905 | \$ 245,155 | \$ 245,155 |
| Average interest rate | 3.25% | 3.25% | | |
| Fixed-rate senior subordinated notes due 2022 | \$ - | \$ 700,000 | \$ 700,000 | \$ 691,250 |
| Average interest rate | | 5.50% | | |
| Fixed-rate senior subordinated notes due 2023 | \$ - | \$ 566,207 | \$ 566,207 | \$ 537,600 |
| Average interest rate | | 5.50% | | |
| Fixed-rate senior subordinated notes due 2024 | \$ - | \$ 200,000 | \$ 200,000 | \$ 188,500 |
| Average interest rate | | 5.25% | | |
| Fixed-rate senior subordinated notes due 2019 | \$ - | \$ 5,221 | \$ 5,221 | \$ 5,221 |
| Average interest rate | | 9.25% | | |
| Total | | | \$ 1,916,583 | \$ 1,867,726 |

Item 7A of our 2014 Annual Report on Form 10-K provides information as to the practices and instruments that we use to manage market risks. There were no material changes in our exposure to market risks since December 31, 2014.

Item 4: Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1: Legal Proceedings

PPC Broadband, Inc. v. Corning Optical Communications RF, LLC (U.S. Dist. Ct., N.D.N.Y. Civil Action No. 5:11-cv-00761-GLS-DEP) On July 5, 2011, the Company's wholly-owned subsidiary, PPC Broadband, Inc. (f/k/a John Mezzalingua Associates, Inc., d/b/a PPC) (PPC), filed an action for patent infringement in the U.S. District Court for the Northern District of New York against Corning Optical Communications RF LLC (f/k/a Corning Gilbert, Inc.) (Corning). The Complaint alleged that Corning infringed two of PPC's patents U.S. Patent Nos. 6,558,194 and 6,848,940 each entitled Connector and Method of Operation. On July 23, 2015, a jury found that Corning willfully infringed both patents. We have not recorded any amounts in our consolidated financial statements related to this matter, as the court has not entered judgment and is considering post-trial motions filed by the parties.

We are a party to various legal proceedings and administrative actions that are incidental to our operations. In our opinion, the proceedings and actions in which we are involved should not, individually or in the aggregate, have a material adverse effect on our financial condition, operating results, or cash flows. However, since the trends and outcome of this litigation are inherently uncertain, we cannot give absolute assurance regarding the future resolution of such litigation, or that such litigation may not become material in the future.

Item 1A: Risk Factors

There have been no material changes with respect to risk factors as previously disclosed in our 2014 Annual Report on Form 10-K.

Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Set forth below is information regarding our stock repurchases for the three months ended September 27, 2015.

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Repurchased | | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|--|-------------------------------------|---------------------------------|---|---|--|
| | | | as Part of Publicly Announced Plans or Programs (1) | | |
| June 29, 2015 through August 2, 2015 | - | \$ - | - | - | \$ 39,053,228 |
| August 3, 2015 through August 30, 2015 | 697,945 | 55.95 | 697,945 | | - |
| August 31, 2015 through September 27, 2015 | - | - | - | | - |
| Total | 697,945 | \$ 55.95 | 697,945 | | \$ - |

(1) In July 2011, our Board of Directors authorized a share repurchase program, which allows us to purchase up to \$150.0 million of our common stock through open market repurchases, negotiated transactions, or other means, in accordance with applicable securities laws and other restrictions. The program does not have an expiration date and may be suspended at any time at the discretion of the Company. In November 2012, our Board of Directors authorized an extension of the share repurchase program, which allows us to purchase up to an additional \$200.0 million of our common stock through open market repurchases, negotiated transactions, or other means, in accordance with applicable securities laws and other restrictions. This program was funded by cash on hand and free cash flow. The repurchase activities in the three months ended September 27, 2015 utilized all remaining authorized amounts under the share repurchase program. On a cumulative basis since inception of the program in 2011, we have repurchased 7.4 million shares of our common stock under the program for an aggregate cost of \$350.0 million and an average price of \$47.43.

Item 6: Exhibits

Exhibits

| | |
|--------------------------|--|
| Exhibit 31.1 | Certificate of the Chief Executive Officer pursuant to § 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 31.2 | Certificate of the Chief Financial Officer pursuant to § 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.1 | Certificate of the Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.2 | Certificate of the Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 101.INS | XBRL Instance Document |
| E x h i b i t 101.SCH | XBRL Taxonomy Extension Schema |
| E x h i b i t 101.CAL | XBRL Taxonomy Extension Calculation |
| E x h i b i t 101.DEF | XBRL Taxonomy Extension Definition |
| E x h i b i t 101.LAB | XBRL Taxonomy Extension Label |
| E x h i b i t 101.PRE | XBRL Taxonomy Extension Presentation |

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.

BELDEN INC.

Date: November 3, 2015

By: /s/ John S. Stroup
John S. Stroup
President, Chief Executive Officer and Director

Date: November 3, 2015

By: /s/ Henk Derksen
Henk Derksen
Senior Vice President, Finance, and Chief
Financial Officer

Date: November 3, 2015

By: /s/ Douglas R. Zink
Douglas R. Zink
Vice President and Chief Accounting Officer