ADC TELECOMMUNICATIONS INC
Form POS AM
January 25, 2005

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As filed with the Securities and Exchange Commission on January 25, 2005

Registration No. 333-91972

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

POST-EFFECTIVE AMENDMENT NO. 1
TO
FORM S-3
ON
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ADC TELECOMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Minnesota	**3661**	**41-0743912**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

13625 Technology Drive
Eden Prairie, Minnesota 55344-2252
(952) 938-8080
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jeffrey D. Pflaum, Esq.
ADC Telecommunications, Inc.
13625 Technology Drive
Eden Prairie, Minnesota 55344-2252
(952) 938-8080
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: ý

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

This Registration Statement on Form S-1 constitutes Post-Effective Amendment No. 1 to the Company's Registration Statement on Form S-3 (Registration No. 333-91972). The Company is filing this Post-Effective Amendment for the purpose of meeting the requirements of Section 10(a)(3) of the Securities Act of 1933. Pursuant to Rule 401(b) under the Securities Act, the Company is filing this post-effective amendment on Form S-1, as it is currently ineligible to file a registration statement on Form S-3.

PRELIMINARY PROSPECTUS

Subject to Completion, dated January 25, 2005

ADC TELECOMMUNICATIONS, INC.

ADCINVESTDIRECT

Direct Stock Purchase Plan
1,000,000 Shares of Common Stock

Our Direct Stock Purchase Plan provides you with a convenient and economical way of purchasing shares of ADC common stock without a broker at low transaction costs.

You may also transfer shares easily or sell your shares at low cost.

You may own and transfer your shares without holding certificates.

The Plan may purchase ADC common stock directly from ADC or on the open market, as periodically determined by ADC. The purchase price for shares purchased in the open market will be the weighted average price at which the shares are actually purchased by the Plan Administrator. The purchase price of shares purchased from ADC will be the average of the high and low sale prices quoted on the NASDAQ National Market on the date of purchase.

Our common stock is traded on The NASDAQ National Market® under the symbol "ADCT." On January 18, 2005, the last sale price of our common stock as reported on The NASDAQ National Market was $2.41 per share.

A summary of important Plan features is contained on page 1 of this prospectus. A complete description of the Plan begins on page 53 of this prospectus.

Please read this prospectus carefully before investing and retain it for your future reference.

Investment in our securities involves a number of risks. See section titled "Risk Factors" beginning on page 3 to read about certain factors you should consider before buying our securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

ADC Telecommunications, Inc.
13625 Technology Drive
Eden Prairie, Minnesota 55344-2252
(952) 938-8080

The date of this prospectus is , 2005.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide information that is different. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that information herein is correct at any time subsequent to the date hereof.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. However, it may not contain all of the information that is important to you. You should carefully read the entire prospectus, especially the risks of investing in our securities discussed under "Risk Factors," and including the documents incorporated by reference.

Summary of Important Plan Features

Current Shareholders If you are a registered holder of ADC common stock, you may participate in the Plan by completing and returning a Plan Authorization Form. If you own ADC common stock, but your shares are held by a bank or broker in its name (*i.e*., "street name"), you will need to either withdraw your shares from your brokerage account and register them in your own name *or* enroll in the Plan in the same manner as a new shareholder.

Open to Nonshareholders If you currently do not own shares of ADC common stock, you may enroll in the Plan by completing and returning a Plan Authorization Form, paying a one-time account set-up fee of $10, and either making an initial investment of at least $500 or authorizing automatic monthly cash investments of at least $50.

Investments You may make investments in common stock of a minimum of $50 per investment up to an aggregate of $250,000 per year. Investments may be made by automatic monthly electronic funds transfer or by check or money order at weekly or less frequent intervals, whichever you prefer.

Full Investment of Plan Funds Funds invested in the Plan are fully invested through the purchase of fractional shares, as well as full shares.

Fees There are certain enrollment, transaction and service fees associated with the Plan, which we describe further in this prospectus.

Share Safekeeping You may deposit for safekeeping certificates representing shares of common stock held in certificate form, whether or not the shares were issued under the Plan, at no cost to you.

Account Statements Account statements detailing your Plan activities are mailed to you following each Plan transaction.

Plan Administrator The Plan Administrator is:

Computershare Trust Company, Inc.
Attention: ADCInvestDirect
P.O. Box A3309
Chicago, IL 60690-3309

Our Company

We are a leading global supplier of communications infrastructure solutions and services. Our products and services connect every type of communications network over copper, fiber, coaxial and wireless media and enable high-speed Internet, data, video and voice services to residences, businesses and mobile communications subscribers. These products and services include fiber optic, copper and coaxial based frames, cabinets, cables, connectors, cards and other physical components essential to enable the delivery of communications for wireline, wireless, cable, broadcast and enterprise networks. Our products also include network access devices such as high-bit-rate digital subscriber line and wireless coverage solutions. We also design, equip and build networks through the provision of professional services, which compliments our hardware business by planning, deploying and maintaining communications networks.

Our customers include local and long-distance telephone companies, private enterprise networks, cable television operators, wireless service providers, new competitive service providers, broadcasters, governments, system integrators and communications equipment manufacturers and distributors. We offer broadband connectivity systems, enterprise systems, wireless transport and coverage optimization systems, business access systems and professional services to our customers through the following two segments of product and service offerings:

- Broadband Infrastructure and Access; and
- Professional Services (previously known as Integrated Solutions).

Our *Broadband Infrastructure and Access* business provides network infrastructure products for wireline, wireless, cable, broadcast and enterprise network applications for the communications industry. These products consist of:

- connectivity systems and components that provide the infrastructure to networks to connect Internet, data, video and voice services over copper, coaxial and fiber-optic cables, and
- access systems used in the last mile/kilometer of wireline and wireless networks to deliver high-speed Internet, data and voice services.

Our *Professional Services* business provides integration services for broadband, multiservice communications over wireline, wireless cable and enterprise networks. Professional services are used to plan, deploy and maintain communications networks that deliver Internet, data, video and voice services.

Our aim is to be the global leader in the provisioning of communications network infrastructure solutions and services. The core of our business has long been based in providing the infrastructure elements that connect equipment in communications networks with an emphasis on solutions serving the "last mile/kilometer" of a network. During the downturn of the telecommunications equipment industry in the last several years, we have taken steps to transform our business to focus more sharply on our core competency in network infrastructure where we believe we hold sustainable competitive advantages. During the last fiscal year, we have divested four businesses that either were not profitable or did not conform to our more focused strategy. As we have conducted this internal restructuring, we also have sought opportunities to grow our business in ways that complement our strategic focus. In fiscal 2004, we completed a significant acquisition that we believe furthered our global network infrastructure strategy when we purchased the KRONE Group ("KRONE"), a global supplier of connectivity solutions and cabling products used in public access and enterprise networks. KRONE's product and service offerings are an extension of our own core connectivity competencies.

Our Address and Telephone Number

We were incorporated in Minnesota in 1953 as Magnetic Controls Company. We adopted our current name in 1985. Our world corporate headquarters are located at 13625 Technology Drive, Eden Prairie, Minnesota 55344-2252, and our telephone number is (952) 938-8080. The address of our web site is *www.adc.com*.

RISK FACTORS

Our business faces many risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could suffer, and the trading price of our notes or common stock could decline. The risks described below may be amended, supplemented or superceded from time to time by other reports we file with the SEC in the future.

Risks Related to Our Business

Our operating results have been adversely affected by the significant downturn in the communications equipment industry and the slowdown in the United States economy.

Our operating results during the last four fiscal years have been significantly impacted by the substantial downturn in the telecommunications equipment industry. In this market environment, many of our customers reduced their equipment purchases and have deferred capital spending. As a result, our revenues decreased in fiscal 2003 and 2002 and increased in 2004 primarily because of our acquisition of KRONE in May 2004. A majority of our revenues are derived from telecommunication service providers. These customers have greatly reduced their spending on communications equipment. Our business also has been impacted negatively by reduced or deferred capital spending by our other customers. Further, when our customers announce spending initiatives that might positively impact one or more of our products, it is possible the customers will contemporaneously reduce spending in a manner that would negatively impact other of our products. Some of our customers have experienced serious financial difficulties. In certain cases, these difficulties have resulted in bankruptcy filings or cessation of operations.

The general slowdown in the United States economy in the last several years has also negatively impacted our business and operating results. While there is debate about the strength of an ongoing general recovery in the overall economy, we expect any significant recovery in the communications market to lag behind a general economic recovery. Our customers are dependent on the level of end user demand for communication services, and they are likely to continue to defer significant network expansions until there is greater demand for Internet, data, video and voice services. If general economic conditions in the United States and globally do not improve, or if there is a worsening of the United States or global economy, we may continue to experience material adverse effects on our business, financial condition and results of operations.

We incurred significant net losses in fiscal 2003, 2002 and 2001. No assurance can be given that we will consistently maintain operating profitability in the future.

We incurred losses from continuing operations of $42.6 million and $980.2 million in fiscal 2003 and 2002, respectively. We also incurred significant losses in fiscal 2001. While we returned to profitability in fiscal 2004, it is not clear that we will be able to achieve revenue and gross margin levels needed to sustain profitability.

When the significant reduction in communications equipment spending became evident in fiscal 2001, we began implementing a restructuring plan to reduce operating expenses and capital expenditures and to narrow the strategic focus of our business. As a result in large part of this restructuring plan, we incurred impairment and restructuring charges of $14.0 million, $43.7 million and $543.1 million in fiscal years 2004, 2003 and 2002, respectively. Although most of the restructuring plan initiatives have been implemented, we may be required to further restructure our business if we do not achieve sustained profitability.

As a result of the restructuring plans, we have significantly reduced expenses and lowered our quarterly revenue break-even point. However, we may not be able to achieve anticipated revenue levels in future quarters or further reduce our expenses if revenue shortfalls occur. As a result, no assurance can be given that we will achieve and maintain operating profitability.

Shifts in our product mix may result in declines in gross profit, as a percentage of net sales.

Our gross profit, as a percentage of net sales, varies among our product groups. Our overall gross profit, as a percentage of net sales, has fluctuated from quarter to quarter as a result of shifts in product mix (that is, how much of each product type we sell in any particular quarter), the introduction of new products, decreases in average selling prices and our ability to reduce manufacturing costs. We expect such fluctuation in gross profit to continue in the future. Further, as KRONE has historically sold certain products at margins lower than the margins at which our products have sold, the integration of KRONE's business with our own is likely to impact our gross profit levels. In addition, our gross margins could be lower based on the amount of new products we sell that have lower startup gross margins.

Consolidation among our customers could result in our losing a customer or experiencing a slowdown as integration takes place.

We believe it is likely that there will be increased consolidation among our customers in order for them to increase market share, diversify product portfolios and achieve greater economies of scale. Consolidation is likely to impact our business as our customers focus on integrating their operations and choosing their equipment vendors. After a consolidation occurs, there can be no assurance that we will continue to supply equipment to the surviving communications service provider. The impact of significant mergers on our business, like those recently announced between Cingular and AT&T Wireless or Sprint and Nextel, is likely to be unclear until sometime after such transactions have closed.

Our sales could be negatively impacted if one or more of our key customers substantially reduce orders for our products.

Our customer base is relatively concentrated with our top ten customers accounting for 46.3%, 55.3% and 54.1% of net sales for fiscal years 2004, 2003 and 2002, respectively. While our recent acquisition of KRONE has diversified our customer base, if we lose a significant customer, our sales and gross margins would be negatively impacted. In addition, the loss of sales may require us to record additional impairment and restructuring charges or exit a particular business or product line.

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

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

We may not accurately predict technological trends or new products in the communications equipment market. New product development often requires long-term forecasting of market trends, development and implementation of new technologies and processes and a substantial capital commitment. In addition, we do not know whether our products and services will meet with market acceptance or be profitable. Many of our competitors have greater engineering and product development resources than us. Although we expect to continue to invest substantial resources in product development activities, our efforts to achieve and maintain profitability will require us to be more selective and focused with our research and development expenditures. If we fail to anticipate or respond in a cost-effective and timely manner to technological developments, changes in industry standards or customer requirements, or if we have any significant delays in product development or introduction, our business, operating results and financial condition could be materially adversely affected.

We may make additional strategic changes to our product portfolio, but our strategic changes and restructuring programs may not yield the benefits that we expect.

In connection with the downturn in the communications industry we have divested or closed numerous product lines and businesses that either were not profitable or did not match our new strategic focus. As necessary, we may make further divestitures or closures of product lines and businesses. We also may make strategic acquisitions.

The impact of potential changes to our product portfolio and the effect of such changes on our business, operating results and financial condition, are unknown at this time. If we acquire other businesses in our areas of strategic focus, we may have difficulty assimilating these businesses and their products, services, technologies and personnel into our operations. These difficulties could disrupt our ongoing business, distract our management and workforce, increase our expenses and adversely affect our operating results and financial condition. In addition to these integration risks, if we acquire new businesses, we may not realize all of the anticipated benefits of these acquisitions, and we may not be able to retain key management, technical and sales personnel after an acquisition. Divestitures or elimination of existing businesses or product lines could also have disruptive effects and may cause us to incur material expenses.

If we seek to secure additional financing, we may not be able to obtain it. Also, if we are able to secure additional financing, our shareowners may experience dilution of their ownership interest or we may be subject to limitations on our operations.

We currently anticipate that our available cash resources, which include existing cash and cash equivalents, will be sufficient to meet our anticipated needs for working capital and capital expenditures for the remainder of fiscal 2005 and, if we are able to maintain breakeven or positive cash flow from operations, for the next several years. If our estimates are incorrect and we are unable to generate sufficient cash flows from operations, we may need to raise additional funds. In addition, if one or more of our strategic acquisition opportunities exceeds our existing resources, we may be required to seek additional capital. We do not currently have any significant available lines of credit or other significant credit facilities, and we are not certain that we can obtain commercial bank financing or, if it is available, whether it will be on acceptable terms. If we raise additional funds through the issuance of equity or equity-related securities, our shareowners may experience dilution of their ownership interests, and the newly issued securities may have rights superior to those of common stock. See "Risks Related to our Common Stock" below. If we raise additional funds by issuing debt, we may be subject to restrictive covenants that could limit our operating flexibility.

Our industry is highly competitive and subject to significant downward pressure on the pricing for our products.

Competition in the communications equipment and related services industry is intense. We believe our success in competing with other manufacturers of communications equipment products and related services will depend primarily on our engineering, manufacturing and marketing skills, the price, quality and reliability of our products, our delivery and service capabilities and our control of operating expenses. We have experienced and anticipate experiencing increasing pricing pressures from current and future competitors as well as general pricing pressure from our customers as part of their cost containment efforts. Our industry is currently characterized by many vendors pursuing relatively few and very large customers, which provides our customers with the ability to exert significant pressure on their suppliers. Many of our competitors have more extensive engineering, manufacturing, marketing, financial and personnel resources than us. As a result, other competitors may be able to respond more quickly to new or emerging technologies, changes in customer requirements or offer more aggressive price reductions.

Possible consolidation among our competitors could result in a loss of sales.

We expect to see continued consolidation among communication equipment vendors. This can result in our competitors becoming financially stronger and obtaining broader product portfolios. It is possible that such consolidation can lead to a loss of sales for us as our competitors increase their resources through consolidation.

Our operating results fluctuate significantly, and if we miss quarterly financial expectations, our stock price could decline.

Our operating results are difficult to predict and fluctuate significantly from quarter to quarter. It is likely that our operating results in some periods will be below investor expectations. If this happens, the market price of our common stock is likely to decline. Fluctuations in our future quarterly earnings results may be caused by many factors, including:

- the volume and timing of orders from and shipments to our customers;
- work stoppages and other developments affecting the operations of our customers;
- the timing of and our ability to obtain new customer contracts and sales recognition;
- the timing of new product and service announcements;
- the availability of products and services;
- the overall level of capital expenditures by our customers;
- the market acceptance of new and enhanced versions of our products and services;
- variations in the mix of products and services we sell;
- the utilization of our production capacity and employees; and
- the availability and cost of key components.

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

In addition, prior to fiscal 2001 and during fiscal 2004, our operating results were subject to seasonal factors. We historically have had stronger demand for our products and services in the fourth fiscal quarter ending October 31, primarily as a result of our year-end incentives and customer budget cycles. We typically have experienced weaker demand for our products and services in the first fiscal quarter ending January 31, primarily as a result of the number of holidays in late November, December and early January, the development of annual capital budgets by our customers during that period and a general industry slowdown during that period.

Due to the economic downturn in the communications equipment and services market, this historical trend of seasonality was not evident during fiscal years 2001-2003. Our historical seasonal pattern returned in fiscal 2004 and we presently expect it to continue in fiscal 2005.

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The regulatory environment in which our customers operate is changing.

Although our business is not subject to a significant amount of direct regulation, the communications service industry in which our customers operate is subject to significant federal and state regulation in the United States as well as regulation in other countries. In early 1996, the United States Telecommunications Act of 1996 was enacted. This Act lifted certain restrictions on the ability of companies, including the RBOC's and other ADC customers, to compete with one another. The Act also made other significant changes in the regulation of the telecommunications industry. These changes generally have increased our opportunities to provide solutions for our customers' Internet, data, video and voice needs.

However, the established telecommunications providers have stated that some of these changes have diminished the profitability of additional investments made by them in their networks, which reduces their demand for our products. On February 20, 2003, the FCC adopted rules under this Act concerning the obligation of the established telecommunication service providers to share their networks with competitors, a practice known as "unbundling." The FCC essentially retained the existing unbundling obligations of the carriers with respect to their historic copper-based network infrastructure, and ruled not to require the unbundling of certain network elements in their next generation hybrid and fiber networks. In August 2003, the FCC issued its final rules on these unbundling obligations and in October 2004 conclusively affirmed that RBOCs are not required to unbundle their networks for the provision of fiber-based services all the way or almost all the way to end user premises. In turn, several RBOCs have stated their intention to increase capital spending on fiber-to-the-x initiatives.

Future regulatory changes affecting the communications industry are anticipated both in the United States and internationally. These changes could affect our customers and alter demand for our products. Recently announced or future changes could also come under legal challenge and be altered, thereby reversing the effect the initial announcement of changes was expected to have on our business. In addition, competition in our markets could intensify as the result of changes to existing regulations or new regulations. Accordingly, changes in the regulatory environment could adversely affect our business and results of operations.

Customer payment defaults could have an adverse effect on our financial condition and results of operations.

As a result of adverse conditions in the communications market, some of our customers have and may continue to experience serious financial difficulties, which in some cases have resulted or may result in bankruptcy filings or cessation of operations. In the future, if customers experiencing financial problems default and fail to pay amounts owed to us, we may not be able to collect these amounts or recognize expected revenue. In the current environment in the communications equipment and related services industry and the United States and global economy, it is possible that customers from whom we expect to derive substantial revenue will default or that the level of defaults will increase. Any material payment defaults by our customers would have an adverse effect on our results of operations and financial condition.

We also have provided financing to some of our customers for purchases of our equipment. As of October 31, 2004, we had loaned $17.7 million, and we have recorded $17.5 million in loss reserves in the event of non-performance related to these financing arrangements. We have not closed on a transaction where new financing was made available to a customer since 2003.

Many of our competitors engage in similar financing transactions in order to obtain customer orders. To remain competitive, we believe that it may be necessary for us to continue to offer financing arrangements in the future. We intend under certain circumstances to sell all or a portion of these commitments and outstanding receivables to third parties. In the past, we have sold some receivables with recourse and have had to compensate the purchaser for the loss.

Our ability to collect on these financing arrangements is contingent on the financial health of the companies to which we extend credit. The condition of these companies is affected by many factors, including, among others, general conditions in the communications equipment and services industry, general economic conditions and changes in telecommunications regulations. We may experience credit losses that could adversely affect our operating results and financial condition.

Conditions in global markets could affect our operations.

Our non-United States sales accounted for approximately 40.4%, 26.0% and 20.2% of our net sales in fiscal 2004, 2003 and 2002, respectively. We expect non-United States sales to remain a significant percentage of net sales in the future. In fact, absent additional acquisitions or divestitures, we expect our acquisition of KRONE to cause our non-United States sales to represent approximately one-half our net sales. In addition to sales and distribution in numerous countries, we own or lease operations located in Austria, Australia, Belgium, Brazil, Canada, Chile, China, France, Germany, Hungary, India, Indonesia, Italy, Japan, Malaysia, Mexico, New Zealand, Norway, Philippines, Puerto Rico, Russia, Singapore, South Africa, South Korea, Spain, Taiwan, Thailand, the United Arab Emirates, the United Kingdom, the United States, Venezuela and Vietnam. Due to our non-United States sales and our non-United States operations, we are subject to the risks of conducting business globally. These risks include:

- local economic and market conditions;
- political and economic instability;
- unexpected changes in or impositions of legislative or regulatory requirements;
- fluctuations in foreign currency exchange rates;
- tariffs and other barriers and restrictions;
- longer payment cycles;
- difficulties in enforcing intellectual property and contract rights;
- greater difficulty in accounts receivable collection;
- potentially adverse taxes; and
- the burdens of complying with a variety of non-United States laws and telecommunications standards.

We also are subject to general geopolitical and environmental risks, such as terrorism, political and economic instability, changes in diplomatic or trade relationships and natural disasters. We maintain business operations and have sales in many non-United States markets. Economic conditions in many of these markets represent significant risks to us. We cannot predict whether our sales and business operations in these markets will be affected adversely by these conditions.

Instability in non-United States markets, which we believe is most likely to occur in the Middle East, Asia and Latin America, could have a negative impact on our business, financial condition and operating results. The wars in Afghanistan and Iraq and other turmoil in the Middle East and the global war on terror also may have negative effects on the operating results of some of our businesses. In addition to the effect of global economic instability on non-United States sales, sales to United States customers having significant non-United States operations could be impacted negatively by these conditions.

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

Our future success depends in part upon our proprietary technology. Although we attempt to protect our proprietary technology through patents, trademarks, copyrights and trade secrets, these protections are limited. Accordingly, we cannot predict whether such protection will be adequate, or whether our competitors can develop similar technology independently without violating our proprietary rights.

Also, rights that may be granted under any patent application in the future may not provide competitive advantages to us. Intellectual property protection in foreign jurisdictions may be limited or unavailable. In addition, many of our competitors have substantially larger portfolios of patents and other intellectual property rights than us.

As the competition in the communications equipment industry increases and the functionality of the products in this industry further overlaps, we believe that companies in the communications equipment industry are becoming increasingly subject to infringement claims. We have received and may continue to receive notices from third parties, including some of our competitors, claiming that we are infringing third-party patents or other proprietary rights. We cannot predict whether we will prevail in any litigation over third-party claims, or whether we will be able to license any valid and infringed patents on commercially reasonable terms. It is possible that unfavorable resolution of such litigation could have a material adverse effect on our business, results of operations or financial condition. Any of these claims, whether with or without merit, could result in costly litigation, divert our management's time, attention and resources, delay our product shipments or require us to enter into royalty or licensing agreements, which could be expensive. A third party may not be willing to enter into a royalty or licensing agreement on acceptable terms, if at all. If a claim of product infringement against us is successful and we fail to obtain a license or develop or license non-infringing technology, our business, financial condition and operating results could be affected adversely.

We are dependent upon key personnel.

Like all technology companies, our success is dependent on the efforts and abilities of our employees. Our ability to attract, retain and motivate skilled employees is critical to our success. In addition, because we may acquire one or more businesses in the future, our success will depend, in part, upon our ability to retain and integrate our own personnel with personnel from acquired entities who are necessary to the continued success or the successful integration of the acquired businesses.

Our recent initiatives to focus our business on core operations and products by restructuring and streamlining operations, including substantial reductions in our workforce, have created uncertainty on the part of our employees regarding future employment with us. This uncertainty, together with our operating losses and lower stock price, may have an adverse effect on our ability to retain and attract key personnel.

Internal Controls under Sarbanes-Oxley Act of 2002.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we will be required, beginning with our fiscal year ending October 31, 2005, to include in our annual report our assessment of the effectiveness of our internal control over financial reporting as of the end of fiscal 2005. Furthermore, our independent registered public accounting firm will be required to attest to whether our assessment of the effectiveness of our internal control over financial reporting is fairly stated in all material respects and separately report on whether it believes we maintained, in all material respects, effective internal control over financial reporting as of October 31, 2005. We presently are implementing a plan designed to assure compliance with these new requirements, but we have not yet completed our assessment of the effectiveness of our internal control. If we fail to timely complete this assessment, or if our independent registered public accounting firm cannot timely attest to our assessment, we could be subject to regulatory sanctions and a loss of public confidence in our internal control. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our regulatory reporting obligations timely.

Product defects could cause us to lose customers and revenue or to incur unexpected expenses.

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

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

Our products are often critical to the performance of communication systems. Many of our supply agreements contain limited warranty provisions. If these contractual limitations are unenforceable in a particular jurisdiction or if we are exposed to product liability claims that are not covered by insurance, a successful claim could harm our business.

We may encounter difficulties obtaining raw materials and supplies needed to make our products.

Our ability to produce our products is dependent upon the availability of certain raw materials and supplies. The availability of these raw materials and supplies is subject to market forces beyond our control. From time to time, there may not be sufficient quantities of raw materials and supplies in the marketplace to meet the customer demand for our products. In addition, the costs to obtain these raw materials and supplies are subject to price fluctuations because of global market demands. Many companies utilize the same raw materials and supplies in the production of their products as we use in our products. Companies with more resources than our own may have a competitive advantage in obtaining raw materials and supplies due to greater purchasing power. Reduced supply and higher prices of raw materials and supplies may affect our business, operating results and financial condition adversely.

In addition, we have significant reliance on contract manufacturers to make certain of our products on our behalf. If these contract manufacturers do not fulfill their obligations to us, or if we do not properly manage these relationships, our existing customer relationships may suffer. We may outsource additional functions in the future.

We have been named as a defendant in securities and other litigation.

We are the defendant in two purported shareowner class action lawsuits. In the first such lawsuit, *In Re ADC Telecommunications, Inc. Securities Litigation*, the complaint alleges that we violated the securities laws by making false and misleading statements about our financial performance and business prospects. Although the court granted our motion to dismiss this lawsuit, the plaintiffs have appealed this decision.

We have also been named as a defendant in a purported class action lawsuit alleging breach of fiduciary duties under ERISA. This case, *In Re ADC Telecommunications, Inc. ERISA Litigation*, has

been brought by individuals who seek to represent a class of participants in our Retirement Savings Plan who purchased our common stock as one of the investment alternatives under the plan.

Litigation is by its nature uncertain and unfavorable resolutions of these lawsuits could materially adversely affect our business, results of operations or financial condition.

We are a party to various other lawsuits, proceedings and claims arising in the ordinary course of business or otherwise. Many of these disputes may be resolved amicably without resort to formal litigation. The amount of monetary liability resulting from the ultimate resolution of these matters cannot be determined at this time. As of October 31, 2004, we had recorded approximately $5.2 million in loss reserves for these matters. Because of the uncertainty inherent in litigation, it is possible that unfavorable resolutions of these lawsuits, proceedings and claims could exceed the amount currently reserved and could have a material adverse affect on our business, results of operations or financial condition.

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

We face market risks from changes in security prices and interest rates. Market fluctuations could affect our results of operations and financial condition adversely. At times, we reduce this risk through the use of derivative financial instruments. However, we do not enter into derivative instruments for the purpose of speculation.

Also, we are exposed to market risks from changes in foreign currency exchange rates. From time to time, we hedge our foreign currency exchange risk. The objective of this program is to protect our net monetary assets and liabilities in non-functional currencies from fluctuations due to movements in foreign currency exchange rates. We attempt to minimize exposure to currencies in which hedging instruments are unavailable or prohibitively expensive by managing our operating activities and net assets position. As a result of our increased international exposure due to the KRONE acquisition, we may hedge foreign currency exposures in the future. At October 31, 2004, we did not hedge any foreign currency exchange exposures.

Risks Related to Our Common Stock

Our stock price is volatile.

Based on the trading history of our common stock and the nature of the market for publicly traded securities of companies in our industry, we believe that some factors have caused and are likely to continue to cause the market price of our common stock to fluctuate substantially. The fluctuations could occur from day-to-day or over a longer period of time. The factors that may cause such fluctuations include:

- announcements of new products and services by us or our competitors;
- quarterly fluctuations in our financial results or the financial results of our competitors or our customers;
- customer contract awards to us or our competitors;
- increased competition with our competitors or among our customers;
- consolidation among our competitors or customers;
- disputes concerning intellectual property rights;
- the financial health of ADC, our competitors or our customers;
- developments in telecommunications regulations;

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- general conditions in the communications equipment industry; and
- general economic conditions in the U.S. or internationally.

In addition, stocks of companies in our industry in the past have experienced significant price and volume fluctuations that are often unrelated to the operating performance of such companies. This market volatility may adversely affect the market price of our common stock.

We have not in the past and do not intend in the foreseeable future to pay cash dividends on our common stock.

We currently do not pay any cash dividends on our common stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings, if any, to finance our operations and for general corporate purposes.

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

Provisions of our articles of incorporation and bylaws, our shareowner rights plan (also known as a "poison pill") and Minnesota law may discourage, delay or prevent a merger or acquisition that a shareowner may consider favorable and may limit the market price for our common stock. These provisions include the following:

- advance notice requirements for shareowner proposals;
- authorization for our Board of Directors to issue preferred stock without shareowner approval;
- authorization for our Board of Directors to issue preferred stock purchase rights upon a third party's acquisition of 15% or more of our outstanding shares of common stock; and
- limitations on business combinations with interested shareowners.

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

FORWARD-LOOKING STATEMENTS

This prospectus contains various "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this prospectus, the words "anticipate," "believe," "estimate," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements represent our expectations or beliefs concerning future events, including any statements regarding:

- future sales and cost reductions, profit percentages, realization of deferred tax assets, earnings per share or other results of operations;
- the continuation of historical patterns and trends such as seasonality in the buying pattern of our customers;
- the sufficiency of our cash balances and cash generated from operating and financing activities for our future liquidity and capital resource needs;
- the occurrence or impact of consolidation among our customers or competitors;

the effect of legal and regulatory developments; and

the economy in general or the future of the communications equipment and communications services industries on our business.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, some of which are included in this prospectus under "Risk Factors." Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described as anticipated, believed, estimated, or expected. We do not intend to update these forward-looking statements after the post-effective amendment to the registration statement of which this prospectus forms a part becomes effective.

USE OF PROCEEDS

The proceeds from the sales, if any, of authorized but unissued common stock under the Plan are expected to be used for general corporate purposes. We have no basis for estimating either the number of shares of common stock that will ultimately be sold under the Plan or the prices at which the shares will be sold. We will not receive any proceeds when shares of common stock are purchased under the Plan in the open market.

MARKET PRICE OF AND DIVIDENDS ON OUR COMMON STOCK

Our common stock, $0.20 par value, is traded on The NASDAQ Stock Market under the symbol "ADCT." The following table sets forth the high and low sales prices of our common stock for each quarter during our fiscal years ended October 31, 2004 and 2003, as reported on that market.

	2004		2003	
	High	**Low**	**High**	**Low**
First Quarter	$ 3.85	$ 2.32	$ 3.15	$ 1.51
Second Quarter	3.61	2.32	2.73	2.05
Third Quarter	2.85	2.10	3.21	1.96
Fourth Quarter	2.44	1.75	2.90	2.10

As of January 12, 2005, there were 12,611 holders of record of our common stock. We do not pay cash dividends on our common stock and do not intend to pay cash dividends for the foreseeable future. We did not repurchase any equity securities in fiscal 2004.

SELECTED FINANCIAL DATA

The following table presents our selected financial data. The data included in the following table has been restated to reflect the assets, liabilities and results of operations of certain businesses that have met the criteria for treatment as discontinued operations. For additional information, refer to the Consolidated Financial Statements included in this prospectus. The following summary information should be read in conjunction with the Consolidated Financial Statements and related notes thereto set forth in this prospectus.

Years ended October 31
(dollars in millions, except per share data)

	2004	2003	2002	2001	2000
Income Statement Data from Continuing Operations					
Net sales	$ 784.3	$ 589.4	$ 819.5	$ 2,141.3	$ 3,012.0
Gross profit	301.9	207.1	163.2	635.9	1,478.1
Research and development expense	59.1	59.9	106.8	201.9	261.9
Selling and administration expense	206.3	160.4	251.6	569.9	556.3
Operating income (loss)	22.5	(56.9)	(738.3)	(854.8)	493.8
Income (loss) before income taxes	33.2	(47.9)	(731.9)	(1,728.3)	1,588.8
Provision (benefit) for income taxes	1.9	(5.3)	248.3	(576.9)	615.7
Income (loss) from continuing operations	31.3	(42.6)	(980.2)	(1,151.4)	973.1
Earnings (loss) per diluted share from continuing operations	0.04	(0.06)	(1.23)	(1.46)	1.26
Balance Sheet Data					
Current assets	835.6	1,032.2	717.9	1,389.4	2,716.2
Current liabilities	302.0	266.8	405.8	604.2	1,068.5
Total assets	1,428.1	1,296.9	1,144.2	2,499.7	3,970.5
Long-term notes payable	400.0	400.0	10.5	2.1	13.5
Total long-term obligations	466.8	402.4	11.7	2.1	13.5
Shareowners' investment	659.3	627.7	732.2	1,893.4	2,912.7

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated statement of operations gives effect to the acquisition of the KRONE Companies by ADC as described elsewhere in this prospectus. The unaudited pro forma consolidated statement of operations for the fiscal year ended October 31, 2004 has been prepared by combining the consolidated statement of continuing operations of ADC for the fiscal year ended October 31, 2004, which includes the KRONE Companies from May 18, 2004, with the consolidated statement of continuing operations of the KRONE Companies for the period from November 1, 2003 to May 17, 2004, adjusted to give effect to the acquisition as if it occurred on November 1, 2003.

The unaudited pro forma consolidated statement of operations presented are based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma consolidated statement of operations are presented for informational purposes only and are not necessarily indicative of the results of operations that would actually have been reported had the acquisition occurred as assumed. The unaudited pro forma consolidated statement of operations and accompanying notes should be read in conjunction with the historical financial statements and related notes of ADC and the financial statements and related notes of the KRONE Companies included in this prospectus.

HISTORICAL ADC TELECOMMUNICATIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS UNAUDITED

(In Millions, Except Per Share Amounts)

	ADC(a)	Historical KRONE(b)	Pro Forma Adjustments	Pro Forma ADC
NET SALES				
Product	$ 659.9	$ 161.1		$ 821.0
Services	124.4	26.5		150.9
Total Net Sales	784.3	187.6		971.9
COST OF PRODUCT SOLD				
Product	365.1	104.8		469.9
Services	117.3	23.2		140.5
	482.4	128.0		610.4
GROSS PROFIT	301.9	59.6		361.5
OPERATING EXPENSES:				
Research and development	59.1	4.2		63.3
Selling and administration	206.3	44.1	4.8 (c) 4.6 (d) 0.4 (e)	260.2
Impairment charges	1.7			1.7
Restructuring charges	12.3	2.4		14.7
Total Operating Expenses	279.4	50.7	9.8	339.9
OPERATING INCOME (LOSS)	22.5	8.9	(9.8)	21.6
OTHER INCOME, NET:				
Interest	3.7	(8.8)	7.9 (f) (2.5)(g)	0.3
Other	7.0	0.4	(1.4)(h)	6.0
INCOME (LOSS) BEFORE INCOME TAXES	33.2	0.5	(5.8)	27.9
PROVISION (BENEFIT) FOR INCOME TAXES	1.9			1.9
INCOME (LOSS) FROM CONTINUING OPERATIONS	31.3	0.5	(5.8)	26.0
AVERAGE COMMON SHARES OUTSTANDING BASIC	808.3			808.3

	ADC(a)	Historical KRONE(b)	Pro Forma Adjustments	Pro Forma ADC
AVERAGE COMMON SHARES OUTSTANDING DILUTED	812.1			812.1
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS BASIC AND DILUTED	$ 0.04			$ 0.03

(a) ADC's results for the year ended October 31, 2004, which includes KRONE results from May 18, 2004 through October 31, 2004.

(b) KRONE's historical results from November 1, 2003 through May 17, 2004.

(c) To record depreciation expense effect for the change in KRONE Companies historical cost basis versus the fair value of the assets acquired.

(d) To record amortization expense of intangible assets acquired assuming the acquisition occurred on November 1, 2003.

(e) To record pension expense effect for pension liability adjustment assuming acquisition occurrred on November 1, 2003.

(f) In conjunction with the close of the acquisition, the KRONE Companies settled intercompany debt and accrued interest payable to GenTek. In addition, debt with a third-party was settled. Related interest expense is adjusted assuming the acquisition took place on November 1, 2003.

(g) To record interest income foregone due to cash paid for the KRONE Companies.

(h) To reverse income for a deferred gain, which was eliminated in purchase accounting.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Marketplace Conditions

Our operating results for fiscal 2004 continued to stabilize, a trend that began in fiscal 2003. However, overall spending on communications equipment and services remains at significantly lower levels compared to pre-2001 levels. Although there have been increases in capital investment in selected areas (including fiber-to-the-X initiatives by several communications service providers, a general increase in wireless spending and some signs of growth in enterprise spending), our industry continues to see deferred capital spending for communications equipment. In addition, there are indications that customers who are initiating new spending on fiber-to-the-X may reduce their spending levels on non-fiber products. Our industry also continues to experience intense competition and increased pricing pressures from customers.

While we expect the overall market for communication equipment and services to grow slowly in the near term, we believe that we are positioned to grow our sales better than the overall market in our fiscal year 2005. We believe we can achieve this sales growth by focusing on:

- New product offerings for the fiber-to-the-X initiative being pursued by several communication service providers and the growing acceptance of our Digivance wireless coverage solution and our TrueNet® and CopperTen enterprise solutions;

- Opportunities to cross-sell products among the traditional KRONE and ADC customer bases, of which there is very little overlap; and

- Taking market share from our competitors as we have recently done with respect to some of our product lines.

Although we anticipate revenue growth in 2005, no assurance can be given that we will be successful in achieving this goal.

We continue to be dependent on telecommunications service providers for a majority of our revenues, with the four major U.S. incumbent local exchange carriers (Verizon, Bellsouth, SBC and Qwest) accounting for approximately 30.4%, 33.4% and 36.5% of our revenues for fiscal 2004, 2003 and 2002, respectively. In addition, our top ten customers accounted for approximately 46.3%, 55.3% and 54.1% of our revenues for fiscal 2004, 2003 and 2002, respectively. The decline in these customer concentration levels from 2003 to 2004 is largely due to the KRONE acquisition, which has given us a more diversified customer base throughout the world. This increased diversification may be offset by mergers among our customers, like those recently announced between Cingular and AT&T Wireless and between Sprint and Nextel. The long-term impact these types of mergers may have on our business is difficult to predict. Further, in the shorter-term we believe parties to these types of mergers may be inclined to defer spending decisions while they are attempting to integrate their operations, which may have an adverse impact on our business. Consolidation among our competitors or our vendors could also cause changes to our business that are not readily predictable.

When the downturn in communications equipment spending first became evident in fiscal 2001, we implemented a cost restructuring plan to reduce operating expenses and capital spending. As it became evident in 2002 and 2003 that our industry was experiencing a more pronounced and prolonged economic downturn, we took additional cost restructuring measures to realize further cost savings. Although much of our restructuring activity has been completed, we continue to look for ways to conduct our operations more efficiently and to reduce costs. For example, the integration of the KRONE acquisition has presented opportunities to reduce costs through eliminating duplicative facilities, processes and general and administration functions. Accordingly, we anticipate incurring additional restructuring charges in future periods.

Historically, our results of operations had been subject to seasonal factors, with stronger demand for our products during our fourth fiscal quarter ending October 31 (primarily as a result of customer budget cycles and our fiscal year-end initiatives) and weaker demand for our products during our first fiscal quarter ending January 31 (primarily as a result of the number of holidays in that quarter, our customers' development of annual capital budgets during that period and a general industry slowdown during that period). This historical seasonality trend in our business returned in fiscal 2004 and we presently expect it to exist in fiscal 2005. A more detailed description of the risks to our business related to seasonality, along with other risk factors associated with our business, can be found under the caption "Risk Factors."

During fiscal 2004, we took several significant steps to further our strategic business initiative to be a global leader in communications network infrastructure solutions and services. First, we completed the acquisition of KRONE. Secondly, we completed the divestitures of our BroadAccess40 business, Cuda cable modem termination system and FastFlow® Broadband Provisioning Manager businesses, Singl.eView® software business and announced the sale of our Metrica service assurance software business. The Metrica divestiture was completed shortly after the end of the fiscal year. These actions will enable us to focus on our strategy of providing products and services that connect every type of communications network over copper, fiber, coaxial and wireless media.

As discussed under "Business," the KRONE acquisition has several significant strategic elements which we believe will benefit ADC in the long-term. Since the closing of the KRONE acquisition in May, we have been working diligently to integrate the operations of the two companies and execute on the opportunities that this acquisition provides.

We intend to continue to explore additional product line or business acquisitions that are complimentary to our communications infrastructure business. We expect to fund any potential acquisition with existing cash resources, the issuance of shares of common or preferred stock, the issuance of debt or equity-linked securities or through some combination of these alternatives.

Results of Operations

The following table contains information regarding the percentage of net sales of certain income and expense items from continuing operations for the three fiscal years ended October 31, 2004, 2003, and 2002 and the percentage changes in these income and expense items from year to year:

	Percentage of Net Sales			Percentage Increase (Decrease) Between Periods	
	2004	2003	2002	2004 vs. 2003	2003 vs. 2002
Net sales	100.0%	100.0%	100.0%	33.1%	(28.1)%
Cost of sales	(61.5)	(64.9)	(80.1)	26.2	(41.7)
Gross profit	38.5	35.1	19.9	45.8	26.9
Operating expenses:					
Research and development	(7.5)	(10.2)	(13.0)	(1.3)	(43.9)
Selling and administration	(26.3)	(27.2)	(30.7)	28.6	(36.2)
Impairment charges	(0.2)	(2.6)	(41.6)	(89.1)	(95.4)
Restructuring charges	(1.6)	(4.8)	(24.7)	(56.2)	(86.1)
Operating income (loss)	2.9	(9.7)	(90.1)	139.5	92.3
Other income (expense), net:					
Interest income (expense), net	0.5	1.0	1.1	(39.3)	(29.1)
Other, net	0.8	0.5	(0.3)	141.4	231.8
Income (loss) before income taxes	4.2	(8.2)	(89.3)	169.3	93.5
(Provision) benefit for income taxes	(0.2)	0.9	(30.3)	(135.8)	(102.1)
Income (loss) from continuing operations	4.0%	(7.3)%	(119.6)%	173.5%	95.7%

The table below sets forth our net sales from continuing operations for the three fiscal years ended October 31, 2004, for each of our reportable segments described under "Business" (in millions).

	2004		2003		2002	
Operating Segment	Net Sales	%	Net Sales	%	Net Sales	%
Broadband Infrastructure and Access	$ 601.7	76.7%	$ 426.0	72.3%	$ 630.3	76.9%
Professional Services	182.6	23.3	163.4	27.7	189.2	23.1
Total	$ 784.3	100.0%	$ 589.4	100.0%	$ 819.5	100.0%

Overview

During fiscal 2004, we sold our BroadAccess40 business, the business related to our Cuda cable modem termination system product line and related FastFlow Broadband Provisioning Manager software and the business related to our Singl.eView product line. We also entered into an agreement to sell the business related to our Metrica service assurance software group. In accordance with Statement of Financial Accounting Standard ("SFAS") No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", these businesses were classified as discontinued operations in fiscal 2004 and the financial results are reported separately as discontinued operations for all periods presented.

On May 18, 2004, we completed the acquisition of KRONE, a global supplier of connectivity solutions and cabling products used in public access and enterprise networks, from GenTek, Inc. This acquisition increased our network infrastructure business and expanded our presence in the international marketplace. The results of KRONE subsequent to May 18, 2004 are included in our results of operations.

Net Sales

Fiscal 2004 vs. Fiscal 2003

Net sales were $784.3 million and $589.4 million for fiscal 2004 and 2003, respectively, which was a 33.1% increase. International net sales were 40.4% and 26.0% of our net sales in fiscal 2004 and 2003, respectively.

During fiscal 2004, net sales of Broadband Infrastructure and Access products increased by 41.2% compared to fiscal 2003. Our Broadband Infrastructure and Access segment includes infrastructure (Connectivity) and access (Wireless and Wireline) products. The inclusion of sales by the KRONE Group beginning on May 18, 2004, accounts for 84.9% of the increase for fiscal 2004 with the remaining increase being accounted for primarily through increased sales of Connectivity and Wireless products.

For fiscal 2004, sales of our Connectivity and Wireless increased 67.1% and 98.7%, respectively, compared to fiscal 2003. The inclusion of $149.2 million in sales by KRONE beginning on May 18, 2004, as well as fiber-to-the-X sales, accounted for 87.8% of the increase in Connectivity product sales for fiscal 2004. The remaining increase in Connectivity sales was attributable primarily to increased spending by our customers in the core central office space. Wireless sales increased primarily due to growing acceptance of our Digivance product.

For fiscal 2004, net sales of our Wireline products decreased by 21.5% over the comparable 2003 period. The decrease in Wireline product sales was caused by a combination of decreased volumes and price reductions resulting from decreased demand for certain types of products within the industry generally and competitive pressures.

Net sales of our Professional Services segment increased by 11.8% from $163.4 million in fiscal 2003 to $182.6 million in fiscal 2004. The inclusion of KRONE's professional services business ("KRONE Services") resulted in a $22.1 million increase in net sales in fiscal 2004. This increase, however, was partially offset by a 1.8% decline in sales of ADC's historical professional services. Excluding KRONE Services, a significant customer of our Professional Services segment represented 9.3% of revenue in fiscal 2004 compared to 25.4% in fiscal 2003. The decreased spending by this customer, however, was largely offset by market share gains with other customers.

Fiscal 2003 vs. Fiscal 2002

Net sales were $589.4 million and $819.5 million for fiscal 2003 and 2002, respectively, reflecting a 28.1% decrease. International net sales comprised 26.0% and 20.2% of our net sales in fiscal 2003 and 2002, respectively.

The 28.1% decrease in net sales was attributable largely to lower volumes of products sold due to significant reductions in communication service provider capital budgets, as well as the lack of new network build-outs or significant expansions of existing networks.

Gross Profit

Fiscal 2004 vs. Fiscal 2003

Gross profit percentages were 38.5% and 35.1% during fiscal 2004 and 2003, respectively. The increase in gross profit percentage was due to a more favorable sales mix toward higher margin products and a reduction in our fixed costs of sales as a result of our restructuring activities.

We also benefited from production efficiencies and reduced production costs resulting from more favorable supplier pricing derived from better purchasing power due to the KRONE acquisition and the outsourcing of portions of our manufacturing operations. We anticipate that our future gross profit percentage will vary based on many factors, including sales mix, competitive pricing, timing of new product introductions, timing of customer acceptance and collectibility of significant sales transactions and manufacturing volume.

Fiscal 2003 vs. Fiscal 2002

During fiscal 2003 and 2002, gross profit percentages were 35.1% and 19.9%, respectively. The increase in gross profit percentage was due to a more favorable sales mix toward higher margin connectivity products, our decision not to bid on low margin professional services projects and a reduction in our fixed costs of sales as a result of our restructuring activities.

Operating Expenses

Fiscal 2004 vs. Fiscal 2003

Total operating expenses for fiscal 2004 and 2003 were $279.4 million and $264.0 million, respectively. Included in these operating expenses were restructuring charges of $12.3 million and $28.1 million, respectively, and impairment charges of $1.7 million and $15.6 million, respectively. KRONE operating expenses were $47.7 million in fiscal 2004. Excluding KRONE, operating expenses decreased 12.2% in fiscal 2004. Although the largest factor in the decrease in operating expenses was the reduction in the amount of our restructuring and impairment charges, our operating expenses also declined due to the ongoing cost savings from our restructuring efforts.

Research and development: Research and development expenses were $59.1 million for fiscal 2004 compared to $59.9 million for fiscal 2003, which represents a decrease of 1.3%. KRONE represented 5.8% of the fiscal 2004 expense. We believe that, given the rapidly changing technological and competitive environment in the communications equipment industry, continued commitment to product development efforts will be required for us to remain competitive. Accordingly, we intend to continue to allocate substantial resources, as a percentage of net sales, to product development in each of our operating segments.

Selling and administration: Selling and administration expense increased 28.6% from $160.4 million in fiscal 2003 to $206.3 million in fiscal 2004. KRONE was 94.3% of the increase in fiscal 2004. The remaining increase is due to $3.8 million of KRONE integration costs and $6.6 million of increased incentive accruals, which were partially offset by $4.4 million of decreased occupancy costs resulting from ongoing restructuring.

Note that in 2005 we expect to incur significant administrative expense associated with our efforts to comply with Section 404 of the Sarbanes-Oxley Act. This section of the Act will require us to conduct a thorough evaluation of our internal controls and we will be working with independent advisors in this process.

Impairment charges: Impairment charges represent a write-down of the carrying value of fixed assets to their estimated fair market value. These charges declined in fiscal 2004 compared to fiscal 2003 ($1.7 million compared to $15.6 million). In fiscal 2004, we recorded an impairment charge for a building included in assets held for sale when it was determined the carrying value exceeded market value. The fair market value was determined based on an examination of sales prices for similar properties.

The fiscal 2003 impairment charges consisted solely of property and equipment impairments, which impacted both the Broadband Infrastructure and Access segment and the Professional Services segment, and were caused by our plan to dispose of excess equipment. The fair market value of this equipment was determined using external sources, primarily proceeds received from previous equipment sales or estimates of discounted cash flows.

Restructuring charges: Restructuring charges represent the direct costs of certain leased facilities and severance costs for workforce reductions. Our restructuring charges also declined significantly in fiscal 2004 compared to fiscal 2003 ($12.3 million compared to $28.1 million). The fiscal 2004 restructuring charges consisted of $9.7 million of employee severance for workforce reductions and $2.6 million of facility consolidation charges. The employee terminations affected both the Broadband Infrastructure and Access segment and the Professional Services segment.

The $28.1 million of restructuring charges in fiscal 2003 related to our actions to downsize our business in response to declining sales. The fiscal 2003 restructuring charges include $24.0 million of employee severance and $4.1 million of facility consolidation charges.

See Note 16 to the Consolidated Financial Statements in this prospectus for a further discussion of our impairment and restructuring charges.

Fiscal 2003 vs. Fiscal 2002

Total operating expenses for fiscal 2003 and 2002 were $264.0 million and $901.5 million, representing 44.8% and 110.0% of net sales, respectively. Included in these operating expenses were restructuring charges of $28.1 million and $202.0 million and impairment charges of $15.6 million and $341.1 million in fiscal 2003 and 2002, respectively. In addition to the lower aggregate amount of impairment, restructuring and other disposal charges in fiscal 2003, our operating expenses were lower primarily due to the ongoing cost savings from our restructuring efforts as well as the divestiture of certain product lines.

Research and development: Research and development expenses were $59.9 million for fiscal 2003, representing a 43.9% decrease from $106.8 million for fiscal 2002. This decrease reflected our efforts to control expenses.

Selling and administration: Selling and administration expenses were $160.4 million for fiscal 2003, representing a decrease of 36.2% from $251.6 million for fiscal 2002. This decrease reflects the benefits realized from our restructuring efforts. Also included in the fiscal 2003 and 2002 amounts were $0.0 million and $(4.4) million, respectively, in selling and administration expenses (reversals) incurred to complete certain non-cancelable sales contracts and contract cancellation payments to customers as a result of our decision to exit certain product lines.

Impairment charges: Impairment charges decreased significantly in fiscal 2003 compared to fiscal 2002 ($15.6 million compared to $341.1 million). The fiscal 2003 impairment charges consisted solely of property and equipment impairments, which impacted both the Broadband Infrastructure and Access and Professional Services segments, and were caused by our plan to dispose of excess equipment. The fair market value of this equipment was determined using external sources, primarily proceeds received from previous equipment sales or estimates of discounted cash flows.

The fiscal 2002 impairment charges related to the write-down of goodwill and fixed assets. The total goodwill write down was $130.3 million, of which $36.6 million related to our decision to exit the optical components product line, with the remainder resulting from our annual goodwill impairment analysis of our continuing businesses. The total fixed asset impairment charge was $210.8 million, of which $45.7 million related to our decision to sell our Glenrothes, Scotland manufacturing facility. The remaining charges are primarily related to our decision to exit our optical components and certain other product lines.

Restructuring charges: Restructuring charges were significantly different in fiscal 2003 than in fiscal 2002 ($28.1 million compared to $202.0 million). The $28.1 million of restructuring charges in fiscal 2003 related to our actions to further downsize our business in response to declining sales.

The fiscal 2002 restructuring charges consisted principally of $153.6 million related to the consolidation of facilities and $45.1 million for employee severance costs related to our workforce reduction. Of the $153.6 million facilities consolidation costs, $84.3 million related to our decision to extend the lease on our headquarters facility. This charge represented the reduction in fair market value of the facility below the value we had guaranteed to the lessor.

Interest

The net interest income (expense) category represents net interest on cash and cash equivalents as well as debt.

Interest income was $12.5 million, $9.7 million and $11.0 million in fiscal 2004, 2003 and 2002, respectively. Interest income increased in fiscal 2004 due to higher average cash balances maintained during the first half of fiscal 2004 and higher yields on our short-term investments. Interest income decreased in fiscal 2003 compared to fiscal 2002 primarily due to lower restricted cash balances, reduced interest-bearing customer receivables and lower yields on our short-term investments.

Interest expense was $8.8 million, $3.6 million and $2.4 million in fiscal 2004, 2003 and 2002, respectively. Interest expense increased in fiscal 2004 due to inclusion of interest expense for the convertible notes for a full year. Interest expense increased in fiscal 2003 due to the $2.1 million of additional interest expense relating to the convertible notes we issued in June 2003, partially offset by a general decline in interest rates. See "Liquidity and Capital Resources" below for a discussion of cash and debt levels.

Write-down, sale or conversion of investments

During fiscal 2004 and 2003, we sold common stock of certain companies in our portfolio and two investments in non-publicly traded securities for an aggregate gain of $4.8 million and $0.9 million, respectively.

During fiscal 2002, we sold common stock of certain companies in our investment portfolio and settled related hedging arrangements for a gain of $67.6 million. These gains were offset by non-cash write-downs in the amount of $5.7 million for our marketable securities investments, and $45.2 million for our non-marketable securities.

Acquisitions

On May 18, 2004, we completed the acquisition of KRONE from GenTek, Inc. This acquisition increased our network infrastructure business and expanded our presence in the international marketplace. The results of KRONE subsequent to May 18, 2004 are included in our results of operations.

In this transaction, we acquired all of the outstanding capital stock of KRONE in exchange for cash paid of $294.4 million in cash (net of cash acquired) and assumed certain liabilities of KRONE. We acquired $78.1 million of intangible assets (see Note 7 to the Consolidated Financial Statements in this prospectus for further discussion of intangible assets). No amounts were allocated to in-process research and development, because KRONE did not have any new products in development at the time of the acquisition. Goodwill of $180.1 million was recorded in the transaction and assigned to our Broadband Infrastructure and Access segment. Substantially all of this goodwill is not deductible for tax purposes.

No businesses were acquired during fiscal 2003 or fiscal 2002.

Discontinued operations

BroadAccess40

During the first quarter of fiscal 2004, we entered into an agreement to sell our BroadAccess40 business, which was included in our Broadband Infrastructure and Access segment. This transaction closed on February 24, 2004. We recorded the loss on the sale of the business of $3.8 million based on the value of the business' assets and liabilities as of January 31, 2004. Subsequent to January 31, 2004, adjustments of $3.0 million were made to increase the loss recorded.

The purchasers of the BroadAccess40 business acquired all of the capital stock of our subsidiary that operated this business and assumed substantially all liabilities associated with this business, with the exception of a $7.5 million note payable that was paid in full by us prior to the closing of the transaction. The purchasers issued a promissory note to us for $3.8 million that is payable within two years of the closing.

Cuda/FastFlow

During the third quarter of fiscal 2004, we entered into an agreement to sell the business related to our Cuda cable modem termination system product line and related FastFlow Broadband Provisioning Manager software, to BigBand Networks, Inc ("BigBand"). In consideration for this sale, we were issued a non-voting minority interest in BigBand, which was accounted for under the cost method and has a nominal value. We also provided BigBand with a non-revolving credit facility of up to $12.0 million with a term of three years. This transaction closed on June 29, 2004. As of October 31, 2004, $7.0 million was drawn on the credit facility. We classified this business as a discontinued operation beginning in the third quarter of fiscal 2004, and recorded a loss on sale of $2.6 million. In the fourth quarter, adjustments of $2.3 million were made to increase the total loss to $4.9 million.

Singl.eView

During the third quarter of fiscal 2004, we entered into an agreement to sell the business related to our Singl.eView product line to Intec Telecom Systems PLC for a cash purchase price of $74.5 million, subject to purchase price adjustments. This business had been included in our Professional Services segment. We also agreed to provide Intec with a $6.0 million non-revolving credit facility with a term of 18 months. As of October 31, 2004, $4.0 million was drawn on the credit facility. The transaction closed on August 27, 2004. We classified this business as a discontinued operation in the third quarter of fiscal 2004. In the fourth quarter of fiscal 2004, we recognized a gain on sale of $61.7 million.

Metrica

During the fourth quarter of fiscal 2004, we entered into an agreement to sell the business related to our Metrica service assurance software group to WatchMark Corporation ("WatchMark") for a cash purchase price of $35 million, subject to purchase price adjustments, and a $3.9 million equity interest in WatchMark. The equity interest constitutes less than a five percent ownership in WatchMark. This business had been included in our Professional Services segment. We classified this business as a discontinued operation in the fourth quarter of fiscal 2004. The transaction closed on November 19, 2004, and will result in a gain in the first quarter of fiscal 2005.

No businesses were discontinued during fiscal 2003 or fiscal 2002.

Patent infringement settlement

During fiscal 2002, we recognized a $26.2 million gain from the settlement of a patent infringement lawsuit we brought against a competitor.

Other, net

Other, net primarily represents the gain or loss on foreign currency exchange transactions, investment gains or losses, loss on sale-leaseback transactions and investment writedowns. Other net income (expense) was $10.7 million, $9.0 million and $6.4 million in fiscal 2004, 2003 and 2002, respectively.

Income Taxes

Fiscal 2004 vs. Fiscal 2003 vs. Fiscal 2002

Note 10 to the Consolidated Financial Statements in this prospectus describes the items which have impacted our effective income tax rate for fiscal 2004, 2003 and 2002. Significant items include the deductibility of impairment charges and expiration of foreign tax credit carryovers.

In addition, as a result of our cumulative losses in fiscal 2001 and 2002 and the full utilization of our loss carryback potential, we concluded during the third quarter of fiscal 2002 that a full valuation allowance against our net deferred tax assets was appropriate. Since the third quarter of fiscal 2002, we have continued to provide a nearly full valuation allowance against our net deferred tax assets. See Note 10 to the Consolidated Financial Statements in this prospectus for further information regarding the valuation allowance.

We recorded an income tax provision totaling $1.9 million for fiscal 2004 primarily attributable to our foreign operations. The income tax provision attributable to our U.S. operations is minimal since the tax on this income is offset with the realization of deferred tax assets, which have a full valuation allowance.

In fiscal 2003, we recorded an income tax benefit totaling $5.3 million. This benefit is primarily attributable to the reversal of accrued income tax liabilities resulting from the finalization of federal, state and foreign income tax examinations.

Income (Loss) from Continuing Operations

Income from continuing operations was $31.3 million (or $0.04 per diluted share) for fiscal 2004, compared to loss from continuing operations of $42.6 million (or $0.06 per diluted share) for fiscal 2003. Loss from continuing operations was $980.2 million (or $1.23 per diluted share) for fiscal 2002.

Segment Disclosures

Broadband Infrastructure and Access Segment

Detailed information regarding our Broadband Infrastructure and Access segment is provided in the following table:

	(Dollars in millions) For the years ended October 31,		
	2004	2003	2002
Operating income (loss)(1)	$ 83.1	$ 22.6	$ (130.4)
Depreciation and amortization	11.4	5.8	9.7
Capital expenditures	4.3	0.8	8.2
	At October 31,		
	2004	2003	2002
Assets	$ 327.2	$ 224.3	$ 247.2

(1) Operating loss excludes certain charges and expenses not allocated to the segments as described in Note 15 to the Consolidated Financial Statements in this prospectus.

During fiscal 2004, operating income for the Broadband Infrastructure and Access segment increased by 267.7% to $83.1 million compared to $22.6 million in fiscal 2003. The inclusion of operating income by KRONE beginning on May 18, 2004, accounts for 23.3% of the increase in operating income for fiscal 2004. The remaining increase in operating income for the Broadband Infrastructure and Access segment resulted from increased Connectivity sales which was attributable primarily to increased sales to our customers for products used in the core central office space and fiber-to-the-X networks.

During fiscal 2003, operating income for the Broadband Infrastructure and Access segment was $22.6 million, a $153.0 million, or 117.3%, increase over operating loss of $130.4 million incurred during fiscal 2002. This improvement was primarily due to a significant reduction in the amount of our restructuring and impairment charges, the ongoing cost savings from our restructuring efforts and the divestiture of certain product lines. While sales decreased, margins increased due to a shift in product sales mix to higher margin products. We also benefited from production efficiencies and related production cost declines resulting from our decision to outsource portions of our manufacturing operations.

Depreciation and amortization increased $5.6 million, or 96.6%, and decreased $3.9 million, or 40.2%, in fiscal 2004 and 2003, respectively. The increase in fiscal 2004 is attributable to our acquisition of KRONE. The decrease in fiscal 2003 is the result of our restructuring efforts, which led to a reduction in our property, plant and equipment balances.

Capital expenditures increased $3.5 million, or 437.5%, and decreased $7.4 million, or 90.2%, in fiscal 2004 and 2003, respectively. The increase in fiscal 2004 was the result of our growth. The decrease in fiscal 2003 was a result of our company-wide efforts to limit capital expenditures in light of the industry downturn.

Professional Services Segment

Detailed information regarding our Professional Services segment is provided in the following table:

	(Dollars in millions) For the years ended October 31,		
	2004	2003	2002
Operating loss(1)	$ (2.3)	$ (0.5)	$ (28.6)
Depreciation and amortization	2.8	2.9	4.3
Capital expenditures	6.0	0.9	4.4
	At October 31,		
	2004	2003	2002
Assets	$ 75.4	$ 89.9	$ 78.1

(1) Operating loss excludes certain charges and expenses not allocated to the segments as described in Note 15 to the Consolidated Financial Statements in this prospectus.

During fiscal 2004, the operating loss of the Professional Services segment increased $1.8 million compared to 2003. The addition of KRONE was offset by reductions in customer spending.

During fiscal 2003, operating loss for the Professional Services segment decreased $28.1 million compared to fiscal 2002. The decrease in operating loss was primarily due to cost savings achieved as a result of our restructuring initiatives in fiscal 2003.

Depreciation and amortization decreased by $0.1 million in fiscal 2004 compared to fiscal 2003, and decreased by $1.4 million in fiscal 2003, compared to fiscal 2002. The fiscal 2003 decrease is the result of our restructuring efforts, which reduced the amount of property plant and equipment.

Capital expenditures increased $5.1 million, or 566.7%, and decreased $3.5 million, or 79.5%, in fiscal 2004 and 2003, respectively. The increase in fiscal 2004 was the result of our growth. The decrease in fiscal 2003 was a result of our company-wide efforts to limit capital expenditures in light of the industry downturn.

Application of Critical Accounting Policies and Estimates

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

Inventories: We state our inventories at the lower of first-in, first-out cost or market. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements compared with current or committed inventory levels. Our reserve requirements generally increase as our projected demand requirements decrease due to market conditions, technological and product life cycle changes as well as longer than previously expected usage periods for previously sold equipment. We have experienced significant changes in required reserves in recent periods due primarily to adverse market conditions. It is possible that significant increases in inventory reserves may be required in the future if there is a further decline in market conditions. Alternatively, if we are able to sell previously reserved inventory, we will find it necessary to reverse a portion of the reserves. Changes in inventory reserves are recorded as a component of cost of sales. As of October 31, 2004 and 2003, we had $42.0 million and $32.2 million, respectively, reserved against our inventories, which represents 30.0% and 36.1%, respectively, of total inventory on-hand.

Restructuring Accrual: During fiscal 2004 and 2003, we recorded restructuring charges representing the direct costs of exiting leased facilities and employee severance costs. Prior to January 1, 2003, such charges were established in accordance with EITF 94-3 "*Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)*." On January 1, 2003, we adopted SFAS No. 146 and recorded restructuring charges based on that standard. Restructuring charges represent our best estimate of our liability at the date the charges were taken. Significant judgment is required in estimating the costs of leased facilities. For example, in estimating the restructuring costs for leased facilities, we make certain assumptions with respect to when a facility will be subleased and the amount of sublease income. Adjustments for changes in assumptions are recorded as a component of operating expenses in the period they become known. Changes in assumptions could have a material effect on our restructuring accrual as well as our consolidated results of operations.

Revenue Recognition: We recognize revenue, net of discounts, when persuasive evidence of a final agreement exists, delivery has occurred, the selling price is fixed or determinable and collectibility is reasonably assured.

Revenue from product sales is generally recognized upon shipment of the product to the customer in accordance with the terms of the sales agreement. Revenue from services consists of fees for systems requirements, system design and analysis, customization and installation services, ongoing system management, system enhancements and maintenance. We primarily apply the percentage-of-completion method to these contracts for revenue recognition.

The assessment of collectibility is particularly critical in determining whether revenue should be recognized in the current market environment. As part of the revenue recognition process, we determine whether trade and notes receivable are reasonably assured of collection based on various factors, including an evaluation of whether there has been deterioration in the credit quality of our customers, which could result in us being unable to collect or sell the receivables. In situations where it is unclear whether we will be able to sell or collect the receivable, revenue and related costs are deferred. Costs are recognized when it has been determined that the collection of the receivable is unlikely.

We record provisions against our gross revenue for estimated product returns and allowances in the period when the related revenue is recorded. These estimates are based on factors that include, but are not limited to, historical sales returns, analyses of credit memo activities, current economic trends and changes in our customers' demand. Should our actual product returns and allowances exceed our estimates, additional reductions to our revenue would result.

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

Our reserves are also based on amounts determined by using percentages applied to certain aged receivable categories. These percentages are determined by a variety of factors including, but are not limited to, current economic trends, historical payment and bad debt write-off experience. Significant increases may occur in the future due to deteriorating market conditions. We are not able to predict changes in the financial condition of our customers and if circumstances related to our customers deteriorate, our estimates of the recoverability of our receivables could be materially affected and we may be required to record additional allowances. Alternatively, if we provided more allowances than are ultimately required, we will reverse a portion of such provisions in future periods based on our actual collection experience. Changes in the allowance are recorded as a component of operating expenses. As of October 31, 2004 and 2003, we had $15.9 million and $20.4 million, respectively, reserved against our accounts receivable, which represents 9.1% and 19.4%, respectively, of total accounts receivable. The decrease in allowance for uncollectible accounts from 2003 to 2004 is due to improved collections.

Warranty: We provide reserves for the estimated cost of warranties at the time revenue is recognized. We estimate the costs of our warranty obligations based on our warranty policy or applicable contractual warranty, our historical experience of known product failure rates, and use of materials and service delivery costs incurred in correcting product failures. In addition, from time to time, specific warranty accruals may be made if unforeseen technical problems arise. Should our actual experience relative to these factors differ from our estimates, we will be required to record additional warranty reserves. Alternatively, if we provide more reserves than we need, we will reverse a portion of such provisions in future periods. Changes in warranty reserves are recorded as a component of cost of sales. As of October 31, 2004 and 2003, we reserved $14.4 and $10.4 million, respectively, related to future estimated warranty costs.

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

In the third quarter of fiscal 2002, we recorded a full valuation allowance against our net deferred tax assets because we concluded that it was more likely than not that we would not realize these assets. Our decision was based on the cumulative losses we had incurred to that point as well as the full utilization of our loss carryback potential. From the third quarter of fiscal 2002 to date, we have maintained our policy of providing a nearly full valuation allowance against all future tax benefits produced by our operating results. We expect to continue to provide a nearly full allowance on any future tax benefits until we can sustain a level of profitability that demonstrates our ability to utilize these assets.

As of October 31, 2004, our net deferred tax assets were $1,067.4 million with a related valuation allowance of $1,068.9 million. As of October 31, 2003, our net deferred tax assets were $751.0 million with a related valuation allowance of $751.0 million. See Note 10 to the Consolidated Financial Statements in this prospectus for further discussion of the accounting treatment for income taxes.

Litigation Reserves: As of October 31, 2004 and 2003, we had recorded approximately $5.2 million and $9.1 million, in loss reserves for pending litigation. This reserve was based on the application of SFAS No. 5, "*Accounting for Contingencies*," which requires us to record a reserve if we believe an adverse outcome is probable and the amount of the probable loss is capable of reasonable estimation. As explained in Note 14 to the Consolidated Financial Statements, and under "Legal Proceedings," we are a party to numerous lawsuits, proceedings and claims. Litigation by its nature is uncertain and the determination of whether any particular case involves a probable loss or the amount thereof requires the exercise of considerable judgment, which is applied as of a certain date. The required reserves may change in the future due to new matters, developments in existing matters or if we determine to change our strategy with respect to any particular matter.

Pensions: We acquired KRONE, which maintains a defined benefit pension for a portion of its German workforce. A participating individual's post-retirement pension benefit is based primarily on the individual's years of service and earnings. The plan is accounted for in accordance with SFAS 87, which requires that amounts recognized in the financial statements be determined on an actuarial basis. That measurement includes estimates relating to the discount rate used to measure plan liabilities. The discount rate reflects the current rate at which the pension liability could effectively be settled at the end of the year. In estimating this discount rate, we considered rates of return on high-grade fixed-income investments with similar duration to the plan liability. We used a discount rate of 5.25% at October 31, 2004. A quarter percentage point increase (decrease) in the assumed discount rate would increase (decrease) the postretirement benefit obligation by $1.9 million and $(1.9) million, respectively.

Recently Issued Accounting Pronouncements

In January 2003, the FASB issued FIN 46, "*Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*", which requires companies to consolidate certain types of variable interest entities. A variable interest entity is an entity that has inadequate invested equity at risk to meet expected future losses, or whose holders of the equity investments lack any of the following three characteristics: (i) the ability to make decisions about the entity's activities; (ii) the obligation to absorb the entity's losses if they occur; or (iii) the right to receive the entity's future returns if they occur. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created before February 1, 2003, the provisions of the interpretation are effective for financial statements issued for the first period ending after December 15, 2003, or March 15, 2004, depending on the nature of the variable interest entity. The adoption of this interpretation did not have a material impact on our consolidated financial position or results of operations.

In December 2004, the FASB issued SFAS 123R, "*Share-Based Payment: an amendment of FASB Statements No. 123 and 95*", which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. The provisions of the interpretation are effective for financial statements issued for periods that begin after June 15, 2005, which will be our fourth quarter beginning August 1, 2005. We will use the modified prospective transition method. Under the modified prospective method, awards that are granted, modified or settled after the date of adoption will be measured and accounted for in accordance with SFAS 123R. Compensation cost for awards granted prior to, but not vested, as of the date SFAS 123R is adopted would be based on the grant date, fair value and attributes originally used to value those awards.

We expect the adoption of this standard will reduce fourth quarter 2005 net income by approximately $9.2 million. This estimate is based on the number of options currently outstanding and exercisable and could change based on the number of options granted or forfeited in fiscal 2005.

Liquidity and Capital Resources

Cash

Cash and cash equivalents, consisting primarily of short-term money market instruments with maturities of three months or less, had a balance of $494.3 million at October 31, 2004, which is a decrease of $224.4 million compared to October 31, 2003. The major uses of cash during fiscal 2004 were $295.2 million of acquisition costs primarily related to KRONE. This use of cash was partially offset by $74.5 million proceeds for the sale of Singl.eView product line.

As of October 31, 2004, we had restricted cash of $21.9 million compared to $15.6 million of restricted cash as of October 31, 2003, an increase of $6.3 million. Our restricted cash increased due to the additions of KRONE balances and the statutory requirements related to a tender offer for a portion of a minority ownership interest. Restricted cash represents cash pledged to various financial institutions to secure certain of our obligations, and is not available to us for working capital. The majority of our restricted cash represents collateral for letters of credit and lease obligations. Restricted cash is expected to become available to us upon satisfaction of the obligations pursuant to which the letters of credit or guarantees were issued. We are entitled to the interest earnings on our restricted cash balances.

Cash and cash equivalents were $718.7 million as of October 31, 2003, which was an increase of $441.0 million compared to October 31, 2002. The major sources of cash during fiscal 2003 were $142.7 million in income tax refunds and the net proceeds of $355.5 million from our convertible note offering completed on June 4, 2003. These cash inflows were partially offset by $67.6 million of net property, plant and equipment additions.

Finance-Related Transactions

On June 4, 2003, we issued $400.0 million of convertible unsecured subordinated notes in two separate transactions pursuant to Rule 144A under the Securities Act of 1933. This issuance was made through an initial offering of $350.0 million of convertible notes on May 29, 2003, and the subsequent exercise in full by the underwriters of such offering of their option to purchase an additional $50.0 million of convertible notes. The net proceeds to us from this offering were $355.5 million after underwriting discounts of $10.0 million and the net payment for the purchased call options and warrant transactions described below. In the first transaction, we issued $200.0 million of 1.0% fixed rate convertible unsecured subordinated notes that mature on June 15, 2008. In the second transaction, we issued $200.0 million of convertible unsecured subordinated notes that have a variable interest rate and mature on June 15, 2013. The interest rate for the variable rate notes is equal to 6-month LIBOR plus 0.375%. The interest rate for the variable rate notes will be reset on each semi-annual interest payment date, which are June 15 and December 15 of each year beginning on December 15, 2003, for both the fixed and variable rate notes. The interest rate on the variable rate notes was 1.605% and 2.235% for the periods ending June 15 and December 15, 2004, respectively. The interest rate on the variable rate notes is 3.065% for the current period ending June 15, 2005. The holders of both the fixed and variable rate notes may convert all or some of their notes into shares of our common stock at any time prior to maturity at a conversion price of $4.013 per share. We may not redeem the fixed rate notes prior to their maturity date. We may redeem any or all of the variable rate notes at any time on or after June 23, 2008.

Concurrent with the issuance of the fixed and variable rate notes, we purchased five and ten-year call options on our common stock to reduce the potential dilution from conversion of the notes. Under the terms of these call options, which become exercisable upon conversion of the notes, we have the right to purchase from the counterparty at a purchase price of $4.013 per share the aggregate number of shares that we are obligated to issue upon conversion of the fixed and variable rate notes, which is a maximum of 99.7 million shares. We also have the option to settle the call options with the counterparty through net a share settlement or cash settlements, either of which would be based on the extent to which the then-current market price of our common stock exceeds $4.013 per share. The total cost of all the call options was $137.3 million, which is recorded in shareowners' investment. The cost of the call options was partially offset by the sale of warrants to acquire shares of our common stock with terms of five and ten years to the same counterparty with whom we entered into the call options. The warrants are exercisable for an aggregate of 99.7 million shares at an exercise price of $5.28 per share. The warrants become exercisable upon conversion of the notes, and may be settled, at our option, either through a net share settlement or a net cash settlement, either of which would be based on the extent which the then-current market price of our common stock exceeds $5.28 per share. The gross proceeds from the sale of the warrants were $102.8 million, which was recognized in shareowners' investment. The call options and the warrants are subject to early expiration upon conversion of the notes. The net effect of the call options and the warrants is to either reduce the potential dilution from the conversion of the notes (if we elect net share settlement) or to increase the net cash proceeds of the offering (if we elect net cash settlement) if the notes are converted at a time when the current market price of our common stock is greater than $4.013 per share.

We have used and plan to use the cash proceeds from this offering for general corporate purposes and strategic opportunities, including financing for possible acquisitions or investments in complementary businesses, technologies or products.

We were party to an operating lease agreement related to our headquarters facility in Eden Prairie, Minnesota. This lease was set to expire in October of fiscal 2006. This operating lease, which is sometimes referred to as a "synthetic lease," contained a minimum residual value guarantee at the end of the lease term, and also gave us a purchase option at the end of the lease term. During the third quarter of fiscal 2003, we purchased this property for an aggregate purchase price of $46.8 million. The entire purchase price was paid out of restricted cash.

In addition, during fiscal 2003, we purchased a total of four other properties that we leased under synthetic leases. Two properties were purchased for $55.9 million and the remaining two were purchased for $45.5 million. All of the properties were purchased using restricted cash previously pledged to secure the lease obligations. The two properties that were purchased for $55.9 million were recorded at their fair market value of $15.7 million, which resulted in a $5.2 million impairment charge and a $35.0 million reduction in our restructuring accrual as we previously recognized this loss in a prior fiscal year. These two properties were sold in fiscal 2004. The remaining two properties that were purchased for $45.5 million were immediately sold for total proceeds of $15.3 million, which was available to us as unrestricted cash. The difference between the purchase price for these two properties of $45.5 million and the sale price of $15.3 million reduced our restructuring accrual.

Vendor Financing

We have worked with customers and third-party financiers to find a means of financing projects by negotiating financing arrangements. As of October 31, 2004, 2003 and 2002, we had commitments to extend credit of $17.7 million, $26.5 million and $58.0 million for such arrangements, respectively. The total amount drawn and outstanding under the commitments was approximately $17.7 million, $23.2 million and $20.9 million, respectively, as of October 31, 2004, 2003 and 2002. The commitments to extend credit are conditional agreements generally having fixed expiration or termination dates and specific interest rates, conditions and purposes. These commitments may expire without being drawn. We regularly review all outstanding commitments, and the results of these reviews are considered in assessing the overall risk for possible credit losses. At October 31, 2004, we have recorded approximately $17.5 million in loss reserves in the event of non-performance related to these financing arrangements.

In connection with the sale of a participation interest in a customer note receivable for $14.5 million, we guaranteed the payment obligation of the customer to the purchaser of the participation interest. During fiscal 2003, the underlying customer defaulted on the note receivable. Therefore, we were required to pay the purchaser of the participation interest $14.5 million, which was the outstanding principal and interest on the note receivable at the time the customer defaulted. Of the $14.5 million payment, we used $14.3 million from our restricted cash that was previously pledged to secure our guarantee with the remainder being paid from unrestricted cash. This note receivable was fully reserved for as part our allowance for doubtful accounts.

Working Capital and Liquidity Outlook

Our main source of liquidity continues to be our unrestricted cash on hand. We believe that our current unrestricted cash on hand should be adequate to fund our working capital requirements, planned capital expenditures and restructuring costs through fiscal 2005. If we are able to maintain break-even or positive cash flow from operations, our existing cash should be adequate to fund such expenditures for several years.

We believe that our entire restructuring accrual of $38.4 million as of October 31, 2004, will have to be paid from our unrestricted cash (shown as cash and cash equivalents on our balance sheet) as follows:

$9.7 million for employee severance will be paid in fiscal 2005;

$9.1 million for facilities consolidation costs, which relate principally to excess leased facilities, will be paid in fiscal 2005; and

the remainder of $19.6 million, which also relates to excess leased facilities, will be paid over the respective lease terms ending through 2015.

We also believe that our unrestricted cash on hand will also enable us to pursue strategic opportunities, including possible product line or business acquisitions. However, if the cost of one or more acquisition opportunities exceeds our existing capital resources, additional sources of capital may be required. We do not currently have any committed lines of credit or other available credit facilities, and it is uncertain whether such facilities could be obtained in sufficient amounts or on acceptable terms. Any plan to raise additional capital may involve an equity-based or equity-linked financing, such as another issuance of convertible debt or the issuance of common stock, preferred stock or warrants to purchase stock, any of which would be dilutive to existing shareholders.

Contractual Obligations and Commercial Commitments

As of October 31, 2004, the following table summarizes our commitments (in millions) to make long-term debt and lease payments and certain other contractual obligations.

	Payments Due by Period				
Category	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
Long-Term Debt Obligations	$ 400.0	$	$	$ 200.0	$ 200.0
Operating Lease Obligations	103.8	24.9	34.6	18.0	26.3
Purchase Obligations(1)	5.8	4.6	1.2		
Minimum Pension Obligations	62.8	3.5	7.3	7.6	44.4
Total	$ 572.4	$ 33.0	$ 43.1	$ 225.6	$ 270.7

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in security prices, foreign currency exchange rates and interest rates. Market fluctuations could affect our results of operations and financial condition adversely. We, at times, reduce this risk through the use of derivative financial instruments. We do not enter into derivative financial instruments for the purpose of speculation.

We are exposed to interest rate risk as a result of issuing $200.0 million of convertible unsecured subordinated notes on June 4, 2003, that have a variable interest rate. The interest rate on these notes is equal to 6-month LIBOR plus 0.375%. The interest rate on these notes is reset semiannually on each interest payment date, which is June 15 and December 15 of each year until their maturity in fiscal 2013. The interest rate for the six-month period ending December 15, 2004 was 2.235%. The interest rate on the variable rate notes is 3.065% for the current six-month period ending June 15, 2005. Assuming interest rates rise an additional 1%, 5% and 10%, our annual interest expense would increase by $2.0 million, $10.0 million and $20.0 million, respectively.

We offer a non-qualified 401(k) excess plan to allow certain executives to defer earnings in excess of the annual individual contribution and compensation limits on 401(k) plans imposed by the U.S. Internal Revenue Code. Under this plan, the salary deferrals and our matching contributions are not placed in a separate fund or trust account. Rather, the deferrals represent our unsecured general obligation to pay the balance owing to the executives upon termination of their employment. In addition, the executives are able to elect to have their account balances indexed to a variety of diversified mutual funds (stock, bond and balanced), as well as to our common stock. Accordingly, our outstanding deferred compensation obligation under this plan is subject to market risk. As of October 31, 2004, our outstanding deferred compensation obligation related to the 401(k) excess plan was $4.8 million, of which approximately $0.9 million was indexed to ADC common stock. Assuming a 20%, 50% or 100% aggregate increase in the value of the investment alternatives to which the account balances may be indexed, our outstanding deferred compensation obligation would increase by $1.0 million, $2.4 million and $4.8 million, respectively, and we would incur an expense of a like amount.

We also are exposed to market risk from changes in foreign currency exchange rates. Our primary risk is the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency denominated operating revenues and expenses. Our largest exposure comes from the euro. The result of a 10% strengthening in the U.S. dollar to our euro denominated revenues and expenses would result in a decrease of operating income of $0.4 million for the year ended October 31, 2004. We are also exposed to foreign currency exposure as a result of changes in intercompany balance sheet balances and other balance sheet items. At October 31, 2004, we did not hedge any foreign currency exposures; however, from time to time we may implement certain risk management strategies that include the use of derivative instruments. These strategies include:

- The use of foreign currency forwards and options to hedge a portion of anticipated future sales denominated in foreign currencies, principally the euro, British pound and Australian dollar, in order to offset the effect of changes in exchange rates.

- The use of foreign currency forwards and options to hedge certain foreign currency denominated intercompany receivables, primarily in the euro, British pound, Australian dollar and Canadian dollar, to offset the effect on earnings of changes in exchange rates until these receivables are collected.

See Note 1 to the Consolidated Financial Statements for information about our foreign currency exchange hedging program.

BUSINESS

ADC Telecommunications, Inc. ("we", "us" or "ADC") was incorporated in Minnesota in 1953 as Magnetic Controls Company. We adopted our current name in 1985. Our World Headquarters is located at 13625 Technology Drive in Eden Prairie, Minnesota.

We are a leading global supplier of communications infrastructure solutions and services. Our products and services connect every type of communications network over copper, fiber, coaxial and wireless media and enable high-speed Internet, data, video and voice services to residences, businesses and mobile communications subscribers. These products and services include fiber optic, copper and coaxial based frames, cabinets, cables, connectors, cards and other physical components essential to enable the delivery of communications for wireline, wireless, cable, broadcast and enterprise networks. Our products also include network access devices such as high-bit-rate digital subscriber line and wireless coverage solutions. We also design, equip and build networks through the provision of professional services, which compliments our hardware business by planning, deploying and maintaining communications networks.

Our customers include local and long-distance telephone companies, private enterprise networks, cable television operators, wireless service providers, new competitive service providers, broadcasters, governments, system integrators and communications equipment manufacturers and distributors. We offer broadband connectivity systems, enterprise systems, wireless transport and coverage optimization systems, business access systems and professional services to our customers through the following two segments of product and service offerings:

- Broadband Infrastructure and Access; and
- Professional Services (previously known as Integrated Solutions).

Our *Broadband Infrastructure and Access* business provides network infrastructure products for wireline, wireless, cable, broadcast and enterprise network applications for the communications industry. These products consist of:

- connectivity systems and components that provide the infrastructure to networks to connect Internet, data, video and voice services over copper, coaxial and fiber-optic cables, and
- access systems used in the last mile/kilometer of wireline and wireless networks to deliver high-speed Internet, data and voice services.

Our *Professional Services* business provides integration services for broadband, multiservice communications over wireline, wireless cable and enterprise networks. Professional services are used to plan, deploy and maintain communications networks that deliver Internet, data, video and voice services.

Our corporate website address is *www.adc.com*. In the "Financial Information" category of the Investor Relations section of our website we make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports available free of charge as soon as reasonably practicable after such reports are filed with or furnished to the United Sates Securities and Exchange Commission (the "SEC"). The "Corporate Governance" category of the Investor Relations section of our website also contains free copies of our Financial Code of Ethics, our Principles of Corporate Governance, our Global Business Conduct Program, our Articles of Incorporation and Bylaws and the charter of each committee of our Board of Directors. Each of the above referenced documents can also be obtained free of charge (other than a reasonable charge for duplicating exhibits to our reports on Forms 10-K, 10-Q or 8-K) in print by any shareowner who requests them from our investor relations department. The investor relations department's email address is *investor@adc.com* and its mail address is: Investor Relations, ADC Telecommunications, Inc., P.O. Box 1101, Minneapolis, Minnesota 55440-1101.

Industry Background

Our products and services are deployed primarily by communications service providers and the owners/operators of private enterprise networks. The competition in our industry has been extremely intense during the downturn in the communications industry that has taken place throughout the past four years. During this time period, communication service providers have engaged in fierce competition to obtain and retain customers and have cut back on capital spending levels significantly. In turn, this has led to fierce competition among vendors of communications equipment and related services to protect their market shares and placed significant pressure on the prices at which companies like ours are able to sell their products and services.

In this type of business environment, we believe those equipment providers who provide products and services that permit network operators and communications service providers to operate more efficiently and at a lower cost while meeting the changing demands of end users will be in the best position to win market share and grow their businesses. Specifically, we believe the market for communications services continues to evolve as a result of two key factors where:

- businesses and consumers worldwide are becoming increasingly dependent on broadband, multiservice communications networks to conduct daily communications tasks; and

- end users of communications services expect to do business with service providers or develop their own networks that can provide all of their communications needs over a single network connection at a low, often flat-rate price.

We believe these two factors are the primary drivers behind industry change; however, other factors such as regulatory changes and industry consolidation among our customers and competitors also will likely impact the competitive landscape of our industry significantly. People and businesses increasingly are accessing the Internet and using Web-based software applications through broadband connections. The growing popularity of applications such as digital video and audio programs, wireless Internet access, video conferencing from personal computers, video e-mail, video on demand, interactive entertainment and gaming, distance learning, telemedicine and high-speed imaging is further increasing the need for broadband network infrastructure. In addition, we believe both public networks operated by communications service providers and private enterprise networks are evolving to provide combinations of Internet, data, video and voice services that can be offered over the same high-speed network connection as opposed to each service being conducted over a separate connection. We believe the competition among service providers to retain new customers over these more fully integrated networks is causing services to be offered more frequently at low, flat-rate prices as opposed to prices based on metered usage.

Ultimately, we believe the demand for greater levels of communications network capacity provided in low priced, "bundled" services will create new opportunities to develop and market infrastructure elements that will allow networks to provide more robust services while operating more efficiently. We believe this will be especially true in the "last mile/kilometer" portion of networks that extends from a service provider's local office to the end user's home, business or mobile device. It is in this section of networks where bottlenecks in the high-speed delivery of communication services are most likely to be pronounced. Our products and services are primarily focused on connecting equipment in the "last mile/kilometer" of networks to enable high-speed Internet, data, video and voice services.

Strategy

Our aim is to be the global leader in the provisioning of communications network infrastructure solutions and services. The core of our business has long been based in providing th