

ADC TELECOMMUNICATIONS INC

Form 11-K

June 28, 2006

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**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 11-K  
ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Year Ended December 31, 2005  
Commission file number: 0-1424**

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:  
**ADC Telecommunications, Inc.  
Retirement Savings Plan**
- B. Name of issuer of securities held pursuant to the plan and the address of its principal executive offices:  
ADC Telecommunications, Inc.

Minnesota

41-0743912

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

13625 Technology Drive  
Eden Prairie, Minnesota

55344

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number, including area code: (952) 938-8080

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Years Ended December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

The Plan Administrator and Participants

ADC Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the ADC Retirement Savings Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Minneapolis, Minnesota

June 26, 2006

/s/ Ernst & Young, LLP

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ADC Retirement Savings Plan  
Statements of Net Assets Available for Benefits

	<b>December 31</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash	\$ 78,072	\$ 80,714
Investments, at fair value	<b>281,342,776</b>	265,245,304
Employee contributions receivable	<b>83,443</b>	76,891
Employer contributions receivable	<b>4,742,915</b>	275,283
Net assets available for benefits	<b>\$286,247,206</b>	\$265,678,192

*See accompanying notes.*

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ADC Retirement Savings Plan  
Statements of Changes in Net Assets Available for Benefits

	<b>Year Ended December 31</b>	
	<b>2005</b>	<b>2004</b>
<b>Net assets available for benefits, beginning of year</b>	<b>\$265,678,192</b>	\$253,327,833
Increases (decreases) during the year:		
Employee contributions:		
Employee contributions	<b>11,542,742</b>	11,485,683
Employee rollover contributions	<b>258,754</b>	7,479,820
Total employee contributions	<b>11,801,496</b>	18,965,503
Employer contributions	<b>10,586,883</b>	4,531,531
Investment income	<b>5,246,428</b>	4,610,633
Net realized/unrealized appreciation in fair value of investments	<b>17,347,426</b>	12,315,434
Benefit distributions to participants	<b>(24,413,219)</b>	(28,072,742)
Net increase during the year	<b>20,569,014</b>	12,350,359
Net assets available for benefits, end of year	<b>\$286,247,206</b>	\$265,678,192

*See accompanying notes.*

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ADC Retirement Savings Plan  
Notes to Financial Statements  
December 31, 2005

**1. Plan Description**

**General**

The ADC Retirement Savings Plan (the Plan) is a defined contribution plan covering substantially all domestic salaried employees of ADC Telecommunications, Inc. (ADC or the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The following is not a comprehensive description of the Plan and, therefore, does not include all situations and limitations covered by the Plan. Participants should refer to the plan document for more complete information.

**Plan Operations**

Ameriprise Trust Company (the Trustee) is the trustee and record-keeper of the Plan. ADC Telecommunications, Inc. is the plan sponsor. The Trustee is responsible for holding investment assets of the Plan, executing investment transactions, and making disbursements to participants. All audit, legal, and plan administrative-related expenses are paid by the Company except for investment management fees, which are netted against investment income. During 2005 and 2004, the Company paid \$102,825 and \$161,023, respectively, in expenses related to the Plan.

**Eligibility**

Employees in recognized employment, as defined, may contribute to the Plan immediately. Company contributions commence following one year of service, as defined by the Plan.

**Contributions and Vesting**

Under the provisions of the Plan, participants classified as highly compensated employees may elect to make contributions from 1% to 15% of their eligible pretax earnings, and participants classified as non-highly-compensated employees may elect to make contributions from 1% to 25% of their eligible pretax earnings. The Company matches 50% of an eligible participant's contributions up to the first 6% of eligible compensation.



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ADC Retirement Savings Plan  
Notes to Financial Statements (continued)

**1. Plan Description (continued)**

**The Company may also make a discretionary performance match contribution. Amounts credited to the accounts of participants for employer and employee contributions are fully vested.**

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) plan earnings and is charged with an allocation of investment management fees. Allocations are based on participant earnings on account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Distributions**

Those participants whose employment terminates due to retirement, death, disability, or other reasons are entitled to a lump-sum distribution of a benefit equal to the amount credited to their account.

**Participant Loans**

A participant may obtain a loan generally up to the lesser of one-half of the participant's account balance or \$50,000. The loan must be repaid with interest at 1% above the prime rate within 5 years, with the exception of residential loans, which must be repaid in 15 years. Participants repay loans through payroll deductions.

As participant loan repayments are received, they are immediately invested in the investment fund(s) in accordance with that participant's investment allocation election for current contributions.

**Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and terminate the Plan, subject to the provisions set forth in ERISA. In the event of the Plan's termination, the participants shall receive 100% of their account balances.

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ADC Retirement Savings Plan  
Notes to Financial Statements (continued)

**2. Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Valuation of Investments**

Investments are recorded at fair value. Common stock and mutual fund values are determined using quoted market prices. Common/collective funds are valued by the trustee based on the values of the underlying investments. The participant loans are valued at their outstanding balances, which approximate fair value. Changes in the fair value of investments between years are included in net realized/unrealized appreciation in fair value of investments in the accompanying statements of changes in net assets available for benefits. Purchases and sales of securities are recorded on a trade-date basis.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Reclassifications**

Certain 2004 amounts were reclassified to conform to the 2005 presentation.

**3. Investments**

Upon enrollment in the Plan, a participant may direct employee contributions in any of 16 investment options. The Plan invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

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ADC Retirement Savings Plan  
Notes to Financial Statements (continued)

**3. Investments (continued)**

The fair market value of individual investments that represent 5% or more of the Plan's net assets as of December 31 is as follows:

	<b>2005</b>	<b>2004</b>
ADC Telecommunications, Inc. common stock	<b>\$52,637,888</b>	\$50,040,949
Franklin Small/Mid Capital Growth Fund	<b>42,000,652</b>	40,757,583
RiverSource Trust Stable Capital II Fund	<b>36,629,118</b>	33,847,258
American Century Income and Growth Fund	<b>36,052,909</b>	36,345,105
Dodge and Cox Balanced Fund	<b>34,945,928</b>	32,667,416
MFS Institutional International Equity Fund	<b>27,093,965</b>	24,392,668

During 2005 and 2004, the Plan's investments, including investments purchased and sold, as well as held during the year, appreciated (depreciated) in fair value as follows:

	<b>Year Ended December 31 2005</b>	<b>2004</b>
Net realized/unrealized appreciation (depreciation) in fair value of investments:		
Mutual funds	<b>\$ 5,761,445</b>	\$13,929,137
Common/collective funds	<b>1,783,369</b>	3,339,668
Common stock	<b>9,802,612</b>	(4,953,371)
	<b>\$17,347,426</b>	\$12,315,434

**4. Income Tax Status**

The Plan has received a determination letter from the Internal Revenue Service dated March 21, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Subsequent to the issuance of this determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax-exempt.

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ADC Retirement Savings Plan  
Notes to Financial Statements (continued)

**5. Reconciliation of the Financial Statements to the Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

	<b>December 31, 2004</b>
Net assets available for benefits per the financial statements	\$ 265,678,192
Employer contributions receivable allocated on the Form 5500	2,220,057
Net assets available for benefits per the Form 5500	\$ 267,898,249

The following is a reconciliation of employer contributions per the financial statements to the Form 5500:

	<b>Year Ended December 31 2005</b>	<b>2004</b>
Employer contributions per the financial statements	<b>\$10,586,883</b>	\$4,531,531
Employer contributions allocated on Form 5500 at December 31, 2004	<b>(2,220,057)</b>	2,220,057
Employer contributions per the Form 5500	<b>\$ 8,366,826</b>	\$6,751,588

Employer contributions allocated to participants are recorded on the Form 5500 for contributions that were approved prior to December 31, 2004, but were not reported in the financial statements until 2005.

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ADC Retirement Savings Plan  
Notes to Financial Statements (continued)

**6. Legal Matters**

On May 19, 2003, ADC Telecommunications, Inc. was served with a lawsuit that was filed in the United States District Court for the District of Minnesota. The complaint named ADC and several of its current and former officers, employees, and directors as defendants. After this lawsuit was served, ADC was served with two substantially similar lawsuits. All three of these lawsuits were consolidated into a single lawsuit captioned In Re ADC Telecommunications, Inc. ERISA Litigation. This lawsuit has been brought by individuals who seek to represent a class of participants in the Plan who purchased ADC common stock as one of the investment alternatives under the Plan from February 2000 to present. The lawsuit alleges a breach of fiduciary duties under the Employee Retirement Income Security Act. On October 26, 2005, after mediation, the parties settled the case subject to various approvals, including approvals from an independent fiduciary and the court. Pending finalization, the amount and terms of the settlement due the Plan are confidential. We do not expect, based on the conditional agreement, the resolution of this matter to have a material impact on the financial statements of the Plan.

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ADC Retirement Savings Plan

EIN: 41-0743912

Plan #002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2005

<b>Description of Investment</b>	<b>Current Value</b>
ADC Telecommunications, Inc. common stock*	\$ 52,637,888
RiverSource Trust Money Market II*	924,793
Franklin Small/Mid Capital Growth Fund	42,000,652
RiverSource Trust Stable Capital II Fund*	36,629,118
American Century Income and Growth Fund	36,052,909
Dodge and Cox Balanced Fund	34,945,928
MFS Institutional International Equity Fund	27,093,965
RiverSource Trust Equity Index Fund I*	11,962,085
Dodge and Cox Income Fund	6,689,866
Robeco Boston Partners Small Cap Value II Instl	9,282,915
BNY Hamilton Small Cap Growth Fund	4,443,704
Vanguard Target Retirement Income Fund	2,142,252
Vanguard Target Retirement 2015 Fund	4,524,390
Vanguard Target Retirement 2035 Fund	6,828,200
Vanguard Target Retirement 2005 Fund	260,788
Vanguard Target Retirement 2025 Fund	580,708
Vanguard Target Retirement 2045 Fund	317,397
Loans to participants, 6.5% to 8.25%*	4,025,218
Total investments	\$ 281,342,776

\* Party in interest.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, ADC Telecommunications, Inc. has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

ADC Telecommunications, Inc.  
Retirement Savings Plan  
(Name of Plan)

By: ADC TELECOMMUNICATIONS, INC.

Date: June 28, 2006

By: /s/ Gokul V. Hemmady

Name: Gokul V. Hemmady

Title: Vice President and Chief Financial Officer