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

FORM 10-Q

For the quarter ended March 31, 2016

of

ARRIS INTERNATIONAL PLC

(Exact name of registrant as specified in its charter)

England and Wales	001-37672	98-1241619
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

3871 Lakefield Drive, Suwanee, Georgia	30024
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (678) 473-2000

ARRIS International plc (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

ARRIS International plc is a large accelerated filer and is not a shell company.

ARRIS International plc is required to submit electronically and post on its corporate web site interactive data files required to be submitted and posted pursuant to Rule 405 of Regulation S-T.

As of April 30, 2016, 189,923,666 shares of ARRIS International plc's Ordinary Shares were outstanding.

ARRIS INTERNATIONAL PLC
FORM 10-Q
For the Three Months Ended March 31, 2016

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PART I. FINANCIAL INFORMATION
Item 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

ARRIS INTERNATIONAL PLC
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data) (unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 659,181	$ 863,582
Short-term investments, at fair value	17,069	15,470
Total cash, cash equivalents and short-term investments	676,250	879,052
Accounts receivable (net of allowances for doubtful accounts of $11,488 in 2016 and $9,975 in 2015)	972,540	651,893
Other receivables	31,868	12,233
Inventories (net of reserves of $62,327 in 2016 and $57,026 in 2015)	662,287	401,592
Prepaid income taxes	22,349	25,624
Prepaids	37,285	19,319
Other current assets	123,858	120,490
Total current assets	2,526,437	2,110,203
Property, plant and equipment (net of accumulated depreciation of $326,315 in 2016 and $304,532 in 2015)	369,255	312,311
Goodwill	2,068,274	1,013,963
Intangible assets (net of accumulated amortization of $950,640 in 2016 and $850,873 in 2015)	2,036,791	810,448
Investments	72,115	69,542
Noncurrent deferred income taxes	221,315	185,439
Other assets	18,849	21,610
	$7,313,036	$4,523,516
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 818,494	$ 514,877
Accrued compensation, benefits and related taxes	97,346	111,389
Accrued warranty	58,812	27,630
Deferred revenue	144,603	137,606
Current portion of long-term debt and financing lease obligation	94,119	43,591
Income taxes payable	65,543	8,368
Other accrued liabilities	248,812	169,169
Total current liabilities	1,527,729	1,012,630
Long-term debt and financing lease obligation, net of current portion	2,242,071	1,496,243
Accrued pension	55,287	64,052
Noncurrent income taxes	68,974	42,197
Noncurrent deferred income taxes	385,690	503
Other noncurrent liabilities	126,330	66,930
Total liabilities	4,406,081	2,682,555
Stockholders' equity:		
Common stock, par value of $0.01 per share, 320 million shares authorized; 147.5 million shares issued and outstanding in 2015	–	1,790
Ordinary shares, nominal value £0.01 per share, 189.6 million shares issued and outstanding in 2016	2,824	–
Capital in excess of par value	3,204,853	1,777,276
Treasury stock at cost, 35.1 million shares in 2015	–	(331,329)
Retained earnings (deficit)	(324,667)	358,823
Accumulated other comprehensive loss	(20,476)	(12,646)
Total ARRIS International plc stockholders' equity	2,862,534	1,793,914
Stockholders' equity attributable to noncontrolling interest	44,421	47,047
Total stockholders' equity	2,906,955	1,840,961
Total liabilities and stockholders' equity	$7,313,036	$4,523,516

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data) (unaudited)

	Three Months Ended March 31,	
	2016	**2015**
Net sales	$1,614,706	$1,215,158
Cost of sales	1,230,674	878,602
Gross margin	384,032	336,556
Operating expenses:		
Selling, general, and administrative expenses	119,963	100,324
Research and development expenses	161,147	132,469
Amortization of intangible assets	98,493	57,147
Integration, acquisition and restructuring	90,919	898
Total operating expenses	470,522	290,838
Operating (loss) income	(86,490)	45,718
Other expense (income):		
Interest expense	19,626	13,367
Loss on investments	1,959	1,709
Loss on foreign currency	12,241	20
Interest income	(783)	(721)
Other (income) expense, net	(350)	7,063
(Loss) income before income taxes	(119,183)	24,280
Income tax expense	86,013	5,154
Consolidated net (loss) income	(205,196)	19,126
Net loss attributable to noncontrolling interest	2,623	–
Net (loss) income attributable to ARRIS International plc	$ (202,573)	$ 19,126
Net (loss) income per common share[(1)]:		
Basic	$ (1.06)	$ 0.13
Diluted	$ (1.06)	$ 0.13
Weighted average common shares:		
Basic	191,743	145,350
Diluted	191,743	148,986

(1) Calculated based on net income attributable to shareowners of ARRIS International plc

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands) (unaudited)

	Three Months Ended March 31,	
	2016	**2015**
Consolidated net (loss) income	$ (205,196)	$ 19,126
Available-for-sale securities:		
Unrealized gain (loss) on available-for-sale securities, net of tax (expense) benefit of $137 in 2016 and $(4) in 2015, respectively	(232)	9
Reclassification adjustments recognized in net income (loss) net of taxes of $(7) in 2016 and $0 in 2015, respectively	12	–
Net change in available-for-sale securities	(220)	9
Derivative instruments:		
Unrealized loss on derivative instruments, net of taxes of $5,242 in 2016 and $1,802 in 2015, respectively	(9,933)	(3,142)
Reclassification adjustments recognized in net income (loss), net of taxes of $(601) in 2016 and $(670) in 2015, respectively	1,140	1,168
Net change in derivative instruments	(8,793)	(1,974)
Pension liabilities:		
Reclassification adjustments recognized in net income (loss)	(1,897)	105
Net change in pension liabilities	(1,897)	105
Cumulative translation adjustments	3,080	(59)
Other comprehensive loss, net of tax	(7,830)	(1,919)
Comprehensive (loss) income, net of tax	(213,026)	17,207
Comprehensive loss attributable to noncontrolling interest	(2,626)	–
Comprehensive (loss) income attributable to ARRIS International plc	$ (210,400)	$ 17,207

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands) (unaudited)

	Three Months Ended March 31,	
	2016	**2015**
Operating activities:		
Consolidated net (loss) income	$(205,196)	$ 19,126
Depreciation	23,871	19,884
Amortization of intangible assets	99,766	57,852
Stock compensation expense	14,276	13,974
Deferred income tax benefit	(36,913)	(18,188)
Amortization of deferred finance fees and debt discount	1,929	2,181
Loss on investments	1,959	1,709
Provision for doubtful accounts	845	267
(Gain) loss on disposal of property, plant & equipment	(16)	5,877
Excess income tax benefits from stock-based compensation plans	(2,354)	(16,437)
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:		
Accounts receivable	130,461	(221,582)
Other receivables	9,263	(4,414)
Inventories	166,177	28,786
Accounts payable and accrued liabilities	(535,651)	55,950
Prepaids and other, net	109,048	(8,248)
Net cash used in operating activities	(222,535)	(63,263)
Investing activities:		
Purchases of property, plant and equipment	(9,140)	(10,919)
Purchases of investments	(4,778)	(11,063)
Sales of investments	2,093	10,169
Acquisition, net of cash acquired	(340,118)	–
Purchase of intangible assets	(1,310)	(34,340)
Proceeds from sale-leaseback transaction	–	24,960
Other, net	2,932	2,904
Net cash used in investing activities	(350,321)	(18,289)
Financing activities:		
Proceeds from issuance of debt	800,000	–
Payment of debt obligations	(252,625)	(13,750)
Payment for debt discount	(2,304)	–
Payment of account receivable financing facility	(12,042)	–
Repurchase of shares	(150,003)	(24,999)
Proceeds from sale-leaseback financing transaction	–	58,729
Payment of lease financing obligation	(164)	–
Proceeds from (costs of) issuance of shares, net	(2,716)	21
Excess income tax benefits from stock-based compensation plans	2,354	16,437
Repurchase of shares to satisfy employee minimum tax withholdings	(14,045)	(21,194)
Net cash provided by financing activities	368,455	15,244
Net decrease in cash and cash equivalents	(204,401)	(66,308)
Cash and cash equivalents at beginning of period	863,582	565,790
Cash and cash equivalents at end of period	$ 659,181	$ 499,482

See accompanying notes to the consolidated financial statements.

ARRIS INTERNATIONAL PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Organization and Basis of Presentation

On January 4, 2016, ARRIS Group, Inc. ("ARRIS Group") completed its combination (the "Combination") with Pace plc, a company incorporated in England and Wales ("Pace"). In connection with the Combination, (i) ARRIS International plc (the "Registrant"), a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace (the "Pace Acquisition") and (ii) a wholly-owned subsidiary of the Registrant was merged with and into ARRIS Group (the "Merger"), with ARRIS Group surviving the Merger as an indirect wholly-owned subsidiary of the Registrant. Under the terms of the Combination, (a) Pace shareholders received 132.5 pence in cash and 0.1455 ordinary shares of the Registrant for each Pace share they held, and (b) ARRIS Group stockholders received one ordinary share of the Registrant for each share of ARRIS Group common stock they held (nominal value of £.01 per share). Equity incentive and compensation plans were assumed by the Registrant and amended to provide that those plans will now provide for the award and issuance of ordinary shares instead of shares of common stock of ARRIS Group on a one-for-one basis. Shares of treasury stock of ARRIS Group were cancelled in the Combination. Following the Combination, ARRIS Group became an indirect wholly-owned subsidiary of the Registrant and Pace became a direct wholly-owned subsidiary of the Registrant. The ordinary shares of the Registrant trade on the NASDAQ under the symbol "ARRS."

The Registrant is deemed to be the successor to ARRIS Group pursuant to Rule 12g-3(a) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the ordinary shares of the Registrant are deemed to be registered under Section 12(b) of the Exchange Act.

ARRIS International plc (together with its consolidated subsidiaries and consolidated venture, except as the context otherwise indicates, "ARRIS" or the "Company") is a global media entertainment and data communications solutions provider, headquartered in Suwanee, Georgia. The Company operates in two business segments, Customer Premises Equipment and Network & Cloud (See Note 14 *Segment Information* of Notes to the Consolidated Financial Statements for additional details.), specializing in enabling service providers including cable, telephone, and digital broadcast satellite operators and media programmers to deliver media, voice, and IP data services to their subscribers. ARRIS is a leader in set-tops, digital video and Internet Protocol Television distribution systems, broadband access infrastructure platforms, and associated data and voice Customer Premises Equipment. The Company's solutions are complemented by a broad array of services including technical support, repair and refurbishment, and systems design and integration.

The consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) that are, in the opinion of management, necessary for a fair presentation of the consolidated financial statements for the periods shown. Certain prior year amounts in the financial statements have been reclassified to conform to fiscal year 2016 presentation. Interim results of operations are not necessarily indicative of results to be expected from a twelve-month period. These financial statements should be read in conjunction with the Company's most recent audited consolidated financial statements and notes thereto included in ARRIS Group's Annual Report on Form 10-K for the year ended December 31, 2015, as filed with the United States Securities and Exchange Commission ("SEC").

Note 2. Impact of Recently Adopted Accounting Standards

Adoption of new accounting standards — In June 2014, the Financial Accounting Standards Board ("FASB") issued an update to its accounting guidance related to share-based compensation. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period, be treated as a performance condition, and therefore shall not be reflected in determining the fair value of the award at the grant date. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The guidance is effective for annual and interim periods beginning after December 15, 2015. This update was adopted by ARRIS beginning of the first quarter of 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial position and results of operations.

In January 2015, the FASB issued new guidance simplifying income statement presentation by eliminating the concept of "extraordinary items".

The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. ARRIS adopted this new guidance in the beginning of the first quarter of 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial position and results of operations.

In February 2015, the FASB issued new guidance related to consolidations. The new guidance amends certain requirements for determining whether a variable interest entity must be consolidated. The amendments are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. ARRIS adopted this new guidance in the beginning of the first quarter of 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial position and results of operations.

In April 2015, the FASB issued new guidance, in determining whether fees for purchasing cloud computing services (or hosted software solutions) are considered internal-use software or should be considered a service contract. A cloud computing agreement that includes a software license should be accounted for in the same manner as internal-use software if the customer has contractual right to take possession of the software during the hosting period without significant penalty and it is feasible to either run the software on the customer's hardware or contract with another vendor to host the software. Arrangements that don't meet the requirements for internal-use software should be accounted for as a service contract. As a result, all software licenses within the scope of this guidance will be accounted for consistently with other licenses of intangible assets. This guidance is effective for interim and annual periods beginning after December 15, 2015. ARRIS adopted this guidance prospectively in the beginning of the first quarter of 2016 and it did not have a significant impact on our consolidated financial statements.

In March 2016, the FASB issued new guidance which eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used during all previous periods. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss on available-for-sale securities in accumulated other comprehensive income (loss) will be recognized through earnings. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. We early adopted this standard during the three months ended March 31, 2016. None of our available-for-sale or cost investments qualified for use of the equity method during the quarter.

Accounting standards issued but not yet effective — In May 2014, the FASB issued an accounting standard update, Revenue from Contracts with Customers. The standard requires an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB delayed the effective date of this standard by one year to reporting periods beginning after December 15, 2017, but permit companies the option to adopt the standard one year earlier (that is, as of the original effective date). It can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is currently assessing the potential impact of this update on its consolidated financial statements.

In July 2015, the FASB issued updated guidance related to the simplification of the measurement of inventory. This standard update applies to inventory that is measured using first-in, first-out or average cost methods. The standard update requires entities to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This standard update is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial position and results of operations.

In August 2014, the FASB issued new guidance related to the disclosures around going concern. The new standard provides guidance around management's responsibility to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern, and if those conditions exist to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued new guidance that will require lessees to recognize most leases on their balance sheets as a right-of-use asset with a corresponding lease liability, and lessors to recognize a net lease investment. Additional qualitative and quantitative disclosures will also be required. This standard is effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted. The Company is currently assessing the potential impact of this update on its consolidated financial statements.

In March 2016, the FASB issued new guidance which makes several modifications to Accounting for share-based payments related to the accounting for forfeitures, employer tax withholding, the financial statement presentation of excess tax benefits or deficiencies, and the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. We are currently assessing how the adoption of this standard will impact our Consolidated Financial Statements.

Note 3. Business Acquisition

Acquisition of Pace

On January 4, 2016, ARRIS completed its previously announced acquisition of Pace, a leading international technology solutions provider, for approximately $2,074 million, including $638.8 million in cash and issuance of 47.7 million shares of ARRIS International plc (formerly ARRIS International Limited) ("New ARRIS") ordinary shares and $0.3 million of non-cash consideration.

In connection with the Combination, (i) ARRIS, a company incorporated in England and Wales and wholly-owned subsidiary of ARRIS Group, agreed to acquire all of the outstanding ordinary shares of Pace by means of court-sanctioned scheme of arrangement (the "Scheme") under English law and (ii) ARRIS Group entered into a Merger Agreement (the "Merger Agreement"), dated April 22, 2015, among ARRIS Group, ARRIS, ARRIS US Holdings, Inc. (formerly Archie U.S. Holdings LLC), a Delaware corporation and wholly-owned subsidiary of ARRIS ("US Holdco") and Archie U.S. Merger LLC, a Delaware limited liability company and wholly-owned subsidiary of US Holdco ("Merger Sub"), whereby Merger Sub would be merged with and into ARRIS Group, with ARRIS Group surviving as an indirect wholly-owned subsidiary of ARRIS.

The Combination combines the strengths of both companies on a global scale—broadening ARRIS's worldwide CPE leadership with a competitive stake in satellite communications; and expanding its cable pay TV, cloud, network, home, and services portfolio.

The estimated goodwill of $1,054.0 million arising from the acquisition is attributable to the workforce of the acquired business, strategic opportunities and synergies that are expected to arise from the acquisition of Pace. Goodwill will be assigned to our reporting units prior to the close of the measurement period. The goodwill is not expected to be deductible for income tax purposes.

The following table summarizes the fair value of consideration transferred for Pace (in thousands):

Cash Consideration (1)	$ 638,789
Stock Consideration (2)	1,434,690
Non-cash Consideration (3)	323
Total consideration transferred	$2,073,802

(1) Cash consideration represents the cash payment of 132.5 pence (converted to $1.95 at an exchange rate of 1.4707 as of January 4, 2016) for each of Pace's shares and equity awards outstanding.
(2) Stock consideration represents the conversion of each of Pace's shares and equity awards outstanding at a conversion rate of 0.1455 with a value of $30.08 at January 4, 2016, which represents the opening price of the Company's shares at the date of Combination.
(3) Non-cash consideration represents $0.3 million settlement of preexisting payables and receivables between Pace and ARRIS.

The following is a summary of the preliminary estimated fair values of the net assets acquired (in thousands):

Total estimated consideration transferred	$2,073,802
Cash and cash equivalents	298,671
Accounts and other receivables	481,176
Inventories	426,871
Prepaids	38,197
Other current assets	53,618
Property, plant & equipment	71,816
Intangible assets	1,324,800
Noncurrent deferred income tax assets	74,171
Other assets	7,112
Accounts payable and other current liabilities	(800,538)
Deferred revenue	(4,805)
Short-term borrowings	(263,795)
Other accrued liabilities	(122,919)
Noncurrent deferred income tax liabilities	(465,166)
Other noncurrent liabilities	(99,422)
Net assets acquired	1,019,787
Goodwill	$1,054,015

The Combination is being accounted for using the acquisition method of accounting in accordance with the guidance in ASC 805, *Business Combinations*, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. The accounting for the business combination is based on currently available information and is considered preliminary. The final accounting for the business combination may differ materially from that presented in these unaudited consolidated financial statements.

The $1,324.8 million of acquired intangible assets are as follows (in thousands):

	Estimated Fair value	Estimated Weighted Average Life (years)
Customer contracts and relationships	$ 645,000	10
Technology and patents	418,600	6.3
In-process research and development	123,100	indefinite
Trademarks and tradenames	121,000	5.0
Backlog	17,100	1.0
Total estimated preliminary fair value of intangible assets	$1,324,800	

The fair value of trade accounts receivable is $452.3 million with the gross contractual amount being $454.3 million. The Company expects $2.0 million to be uncollectible.

The Company incurred acquisition related costs of $27.8 million during the quarter ended March 31, 2016. This amount was expensed by the Company as incurred and is included in the Consolidated Statement of Operations in the line item titled “Integration, acquisition and restructuring costs”. The Company also assumed $240.2 million of debt in conjunction with the Combination, and this debt was subsequently repaid in January 2016.

The Pace business contributed revenues of approximately $461.7 million to our consolidated results from the date of acquisition through March 31, 2016.

The following unaudited pro forma summary presents consolidated information of the Company as if the acquisition of Pace occurred on January 1, 2015, the beginning of the annual period. The pro forma adjustments primarily relate to the additional depreciation expense on property, plant and equipment and amortization of acquired intangible assets,

interest expense related to new financing arrangements and the estimated impact on the Company's income tax provision. The unaudited pro forma combined results of operations are provided for illustrative purposes only and are not indicative of the Company's actual consolidated results.

Unaudited pro forma net loss for the three months ended March 31, 2016 and 2015 was adjusted to include (exclude) certain acquisition-related nonrecurring adjustments, including income tax related to stock transfer, retention bonus, executive severances, acceleration of restricted stock, acquisition related costs, and fair value adjustments to acquisition date inventory, deferred revenue and deferred costs in the aggregate amount of ($125.3) million and $211.9 million, respectively. These additional adjustments exclude the income tax impact.

	Three Months Ended March 31, 2016	2015
	(in thousands, except per share data)	
Net sales	$ 1,614,706	$ 1,647,935
Net loss	(97,648)	(160,598)
Basic	$ (0.51)	$ (0.83)
Diluted	$ (0.51)	$ (0.83)

These pro forma results are based on estimates and assumptions, which the Company believes are reasonable.

The operations of the acquired business were extensive and complex and the initial accounting for the business combination is incomplete at the end of the reporting period. Provisional amounts are reported for those items which are incomplete. At the time the financial statements were issued, the Company has not received a final valuation report from the independent valuation expert for acquired property, plant and equipment and intangible assets. In addition, the Company is still gathering information about income taxes and deferred income tax assets and liabilities, warranty obligations and other accrued liabilities based on facts that existed as of the date of the acquisition. During the measurement period, the Company will adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date and ARRIS will record those adjustments to the financial statements. The Company will recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount are determined.

Note 4. Goodwill and Intangible Assets

Goodwill

In the quarter ended March 31, 2016, the Company has preliminarily recorded additional goodwill of $1,054.0 million related to the Pace acquisition. The Company is in the process of assigning the assets and liabilities acquired to each of its identified reporting units and as such, the determination of this incremental goodwill by reporting unit is incomplete as of March 31, 2016. The Company intends to finalize the assignment of the goodwill from the Pace acquisition during fiscal year 2016.

The changes in the carrying amount of goodwill for the year to date period ended March 31, 2016 are as follows (in thousands):

	CPE	N & C	Unassigned	Total
Goodwill	$682,582	$ 710,037	$ –	$1,392,619
Accumulated impairment losses	–	(378,656)	–	(378,656)
Balance as of December 31, 2015	$682,582	$ 331,381	$ –	$1,013,963
Goodwill acquired	–	255	1,054,029	1,054,284
Other	–	27	–	27
Goodwill	682,582	710,319	1,054,029	2,446,930
Accumulated impairment losses	–	(378,656)	–	(378,656)
Balance as of March 31, 2016	$682,582	$ 331,663	$1,054,029	$2,068,274

Intangible Assets

The gross carrying amount and accumulated amortization of the Company's intangible assets as of March 31, 2016 and December 31, 2015 are as follows (in thousands):

	March 31, 2016			December 31, 2015		
	Gross Amount	Accumulated Amortization	Net Book Value	Gross Amount	Accumulated Amortization	Net Book Value
Definite-lived intangible assets:						
Customer relationships	$1,575,212	$ 505,909	$1,069,303	$ 930,212	$ 468,414	$461,798
Developed technology, patents & licenses	1,124,047	409,856	714,191	704,137	361,719	342,418
Trademarks, trade and domain names	142,072	26,607	115,465	21,072	20,740	332
Backlog	17,100	8,268	8,832	–	–	–
Sub-total	$2,858,431	$ 950,640	$1,907,791	$1,655,421	$ 850,873	$804,548
Indefinite-lived intangible assets:						
Trademarks	$ 5,900	–	$ 5,900	$ 5,900	–	$ 5,900
In-process R&D	123,100	–	123,100	–	–	–
Sub-total	$ 129,000	–	$ 129,000	$ 5,900	–	$ 5,900
Total	$2,987,431	$ 950,640	$2,036,791	$1,661,321	$ 850,873	$810,448

Amortization expense is reported in the consolidated statements of operations within operating expenses under the caption "Amortization of intangible assets." The estimated total amortization expense for each of the next five fiscal years is as follows (in thousands):

2016 (for the remaining nine months)	$275,038
2017	342,332
2018	291,770
2019	269,220
2020	260,443
Thereafter	468,988

Note 5. Investments

ARRIS's investments consisted of the following (in thousands):

	As of March 31, 2016	As of December 31, 2015
Current Assets:		
Available-for-sale securities	$ 17,069	$ 15,470
Noncurrent Assets:		
Available-for-sale securities	4,017	4,036
Equity method investments	25,745	24,452
Cost method investments	17,798	16,646
Other investments	24,555	24,408
Total classified as non-current assets	72,115	69,542
Total	$ 89,184	$ 85,012

Available-for-sale securities – ARRIS's investments in debt and marketable equity securities are categorized as available-for-sale and are carried at fair value. Realized gains and losses on available-for-sale securities are included in net income. Unrealized gains and losses on available-for-sale securities are included in our Consolidated Balance Sheets as a component of accumulated other comprehensive income (loss). Realized and unrealized gains and losses in total and by individual investment as of March 31, 2016 and December 31, 2015 were not material. The amortized cost basis of the Company's investments approximates fair value.

The contractual maturities of the Company's available-for-sale securities as of March 31, 2016 are shown below. Actual maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties (in thousands):

	March 31, 2016
Within one year	$ 17,069
After one year through five years	–
After five years through ten years	–
After ten years	4,017
Total	$ 21,086

Other-than-temporary investment impairments – In making this determination, ARRIS evaluates its investments for any other-than-temporary impairment on a quarterly basis considering all available evidence, including changes in general market conditions, specific industry and individual entity data, the financial condition and the near-term prospects of the entity issuing the security, and the Company's ability and intent to hold the investment until recovery. ARRIS concluded that no other-than-temporary impairment losses existed for the periods ended March 31, 2016. For the year ended December 31, 2015, ARRIS concluded that one private company had indicators of impairment that resulted in other-than-temporary impairment charge of $0.2 million.

Classification of securities as current or non-current is dependent upon management's intended holding period, the security's maturity date and liquidity consideration based on market conditions. If management intends to hold the securities for longer than one year as of the balance sheet date, they are classified as non-current.

Note 6. Fair Value Measurement

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S GAAP establishes a fair value hierarchy that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities. In order to increase consistency and comparability in fair value measurements, the FASB has established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. An asset or liability's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of its fair value. The three levels of input defined by U.S GAAP are as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.
Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
Level 3: Unobservable inputs are used when little or no market data is available.

The following table presents the Company's investment assets (excluding equity and cost method investments) and derivatives measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ –	$ 2,729	$ –	$ 2,729
Corporate bonds	–	9,302	–	9,302
Short-term bond fund	5,037	–	–	5,037
Corporate obligations	–	2	–	2
Money markets	209	–	–	209
Mutual funds	119	–	–	119
Other investments	–	3,688	–	3,688
Interest rate derivatives – liability derivatives	–	(24,192)	–	(24,192)
Foreign currency contracts – asset position	–	1,332	–	1,332
Foreign currency contracts – liability position	–	(13,871)	–	(13,871)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ –	$ 4,208	$ –	$ 4,208
Corporate bonds	–	6,257	–	6,257
Short-term bond fund	5,005	–	–	5,005
Corporate obligations	–	1	–	1
Money markets	209	–	–	209
Mutual funds	131	–	–	131
Other investments	–	3,695	–	3,695
Interest rate derivatives – liability derivatives	–	(10,759)	–	(10,759)
Foreign currency contracts – asset position	–	7,064	–	7,064
Foreign currency contracts – liability position	–	(24,371)	–	(24,371)

In addition to the financial instruments included in the above table, certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis in accordance with applicable authoritative guidance. This includes items such as nonfinancial assets and liabilities initially measured at fair value in a business combination (but not measured at fair value in subsequent periods) and nonfinancial long-lived asset groups measured at fair value for an impairment assessment. In general, nonfinancial assets including goodwill, other intangible assets and property and equipment are measured at fair value when there is an indication of impairment and are recorded at fair value only when any impairment is recognized. As of March 31, 2016, the Company had not recorded any impairment related to such assets and had no other material nonfinancial assets or liabilities requiring adjustments or write-downs to their current fair value.

The Company believes the face value of the debt as of March 31, 2016 approximated the fair value because of interest-bearing rates that are adjusted periodically, analysis of recent market conditions, prevailing interest rates, and other Company specific factors. The Company has classified the debt as a Level 2 item within the fair value hierarchy.

Note 7. Derivative Instruments and Hedging Activities

Overview

ARRIS is exposed to financial market risk, primarily related to foreign currency and interest rates. These exposures are actively monitored by management. To manage the volatility relating to certain of these exposures, the Company enters into a variety of derivative financial instruments. Management’s objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency and interest rates. ARRIS’s policies and practices are to use derivative financial instruments only to the extent necessary to manage exposures. ARRIS does not hold or issue derivative financial instruments for trading or speculative purposes.

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives also may be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting. In accordance with the FASB’s fair value measurement guidance, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Cash Flow Hedges of Interest Rate Risk

In April 2013, ARRIS Group entered into senior secured credit facilities having variable interest rates with Bank of America, N.A. and various other institutions, which are comprised of (i) a “Term Loan A Facility” of $1.1 billion, (ii) a “Term Loan B Facility” of $825 million and (iii) a “Revolving Credit Facility” of $250 million. In June 2015, ARRIS Group amended and restated its existing credit agreement to improve the terms and conditions of the credit agreement, extend the maturities of certain loan facilities, increase the amount of the revolving credit facility, and add a new ”Term Loan A-1 Facility” to fund the acquisition of Pace. As a result of exposure to interest rate movements, ARRIS Group entered into various interest rate swap arrangements, which effectively converted $625 million of its variable-rate debt based on one-month LIBOR to an aggregate fixed rate. The aggregated fixed rate changes as certain swaps mature and other swaps begin and could vary up by 50 basis points or down by 25 basis points based on future changes to the Company’s net leverage ratio. Based on the Company’s interest rates as of March 31, 2016, the aggregate fixed rate for swaps in effect and outstanding through December 29, 2017 is 3.15% per annum, and the aggregate fixed rate for swaps in effect and outstanding from December 29, 2017 through March 31, 2020 is 4.00% per annum. ARRIS Group has designated these swaps as cash flow hedges, and the objective of these hedges is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

In the first quarter of 2016, ARRIS entered into six $50 million interest rate swap arrangements as a result of the additional exposure from the new Term Loan A-1 Facility. These arrangements effectively converted $300 million of the Company’s variable-rate debt based on one-month LIBOR to an aggregate fixed rate of 2.74% per annum based on the Company’s interest rates as of March 31, 2016. This fixed rate could vary by up 50 basis points or down by 25 basis points based on future changes to the Company’s net leverage ratio. Each of these swaps matures on March 31, 2020. ARRIS has designated these swaps as cash flow hedges, and the objective of these hedges is to manage the variability of cash flows in the interest payments related to the portion of the variable-rate debt designated as being hedged.

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During 2016, such derivatives were used to hedge the variable cash flows associated with debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three months ended March 31, 2016, the Company did not have expenses related to hedge ineffectiveness in earnings.

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company’s variable-rate debt. Over the next 12 months, the Company estimates that an additional $6.5 million may be reclassified as an increase to interest expense.

The table below presents the pre-tax impact the Company’s derivative financial instruments had on the Accumulated Other Comprehensive Income and Statement of Operations for the three months ended March 31, 2016 and 2015 (in thousands):

	Three months ended March 31,	
	2016	2015
Loss Recognized in OCI on Derivative (Effective Portion)	$ (15,175)	$ (4,944)
Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Interest expense	Interest expense
Amounts Reclassified from Accumulated OCI into Income (Effective Portion)	$ 1,741	$ 1,838

The following table indicates the location on the Consolidated Balance Sheets in which the Company's derivative assets and liabilities designated as hedging instruments have been recognized, the fair value hierarchy level applicable to each derivative type and the related fair values of those derivatives of March 31, 2016 and December 31, 2015 were as follows (in thousands):

	As of March 31, 2016		As of December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate derivatives – liability derivatives	Other accrued liabilities	(6,489)	Other accrued liabilities	(4,489)
Interest rate derivatives – liability derivatives	Other noncurrent liabilities	(17,703)	Other noncurrent liabilities	(6,270)

Credit-risk-related Contingent Features

ARRIS has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness. As of March 31, 2016 and 2015, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $25.1 million and $8.3 million, respectively. As of March 31, 2016, the Company has not posted any collateral related to these agreements nor has it required any of its counterparties to post collateral related to these or any other agreements.

Non-designated hedges of foreign currency risk

The Company has U.S. dollar functional currency entities that bill certain international customers in their local currency and foreign functional currency entities that procure in U.S. dollars. ARRIS also has certain predictable expenditures for international operations in local currency. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. To mitigate the volatility related to fluctuations in the foreign exchange rates for certain exposures, ARRIS has entered into various foreign currency contracts. As of March 31, 2016, the Company had option collars with notional amounts totaling 70 million euros which mature throughout 2016 and 2017, forward contracts with notional amounts totaling 70 million euros which mature throughout 2016 and 2017, forward contracts with a total notional amount of 116 million Australian dollars which mature throughout 2016 and 2017, forward contracts with notional amounts totaling 80 million Canadian dollars which mature throughout 2016 and forward contracts with notional amounts totaling 188.5 million South African rand which mature throughout 2016.

As part of the Pace acquisition, the Company paid the former Pace shareholders 132.5 pence per share in cash consideration, which is approximately 434.3 million British pounds, in the aggregate, as of January 4, 2016. As such, the Company entered into foreign currency forward contracts to purchase British pounds and sell U.S. Dollars to mitigate the volatility related to fluctuations in the foreign exchange rate prior to the closing period. As of December 31, 2015, the Company had forward contracts with notional amounts totaling 385 million British pounds which matured on March 31, 2016. The contracts fixed the British pound to U.S. dollar forward exchange rate at various rates. During the three months ended March 31, 2016, losses of $1.6 million were recorded related to the British pound forward contracts. These contracts were effectively closed upon the close of the Pace acquisition in January 2016.

The Company's objectives in using foreign currency derivatives are to add stability to foreign currency gains and losses recorded as other expense (income) and to manage its exposure to foreign currency movements. To accomplish this objective, the Company uses foreign currency option and foreign currency forward contracts as part of its foreign currency risk management strategy. The Company's foreign currency derivative instruments

economically hedge certain risk but are not designated as hedges, and accordingly, all changes in the fair value of the instruments are recognized as a loss (gain) on foreign currency in the Consolidated Statements of Operations. The maximum time frame for ARRIS's derivatives is currently less than 18 months.

The following table indicates the location on the Consolidated Balance Sheets in which the Company's derivative assets and liabilities not designated as hedging instruments have been recognized and the related fair values of those derivatives as of March 31, 2016 and December 31, 2015 were as follows (in thousands):

	As of March 31, 2016		As of December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments:				
Foreign exchange contracts – asset derivatives	Other current assets	$ 865	Other current assets	$ 6,495
Foreign exchange contracts – asset derivatives	Other assets	467	Other assets	569
Foreign exchange contracts – liability derivatives	Other accrued liabilities	(12,200)	Other accrued liabilities	(23,632)
Foreign exchange contracts – liability derivatives	Other noncurrent liabilities	(1,671)	Other noncurrent liabilities	(739)

The change in the fair values of ARRIS's derivatives not designated as hedging instruments recorded in the Consolidated Statements of Operations during the three months ended March 31, 2016 and 2015 were as follows (in thousands):

		Three Months Ended March 31,	
	Statement of Operations Location	2016	2015
Derivatives not designated as hedging instruments:			
Foreign exchange contracts	Loss (gain) on foreign currency	$17,455	$(10,309)

Note 8. Pension Benefits

Components of Net Periodic Pension Cost (in thousands):

	Three Months Ended March 31, 2016		Three Months Ended March 31, 2015	
	U.S	Taiwan	U.S	Taiwan
Service cost	$ –	$ 173	$ –	$ 185
Interest cost	438	$ 151	429	$ 165
Expected gain on plan assets	(199)	(68)	(210)	(44)
Amortization of net loss (gain)	194	(1,897)	209	–
Net periodic pension cost (benefit)	$ 433	$ (1,641)	$ 428	$ 306

Employer Contributions

No minimum funding contributions are required in 2016 under the Company's U.S. defined benefit plan. During the quarter ended March 31, 2016, the Company made a minimum funding contribution of $9.6 million related to its Taiwan pension plan.

The Company has established two rabbi trusts to fund the Company's pension obligations under the non-qualified plan of the Chief Executive Officer and certain executive officers. The balance of these rabbi trust assets as of March 31, 2016 was approximately $18.3 million and is included in Investments on the Consolidated Balance Sheets.

Note 9. Guarantees

Warranty

ARRIS provides warranties of various lengths to customers based on the specific product and the terms of individual agreements. The Company provides for the estimated cost of product warranties based on historical trends, the embedded base of product in the field, failure rates, and repair costs at the time revenue is recognized.

Expenses related to product defects and unusual product warranty problems are recorded in the period that the problem is identified. While the Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of its suppliers, the estimated warranty obligation could be affected by changes in ongoing product failure rates, material usage and service delivery costs incurred in correcting a product failure, as well as specific product failures outside of ARRIS's baseline experience. If actual product failure rates, material usage or service delivery costs differ from estimates, revisions (which could be material) would be recorded to the warranty liability.

The Company offers extended warranties and support service agreements on certain products. Revenue from these agreements is deferred at the time of the sale and recognized on a straight-line basis over the contract period. Costs of services performed under these types of contracts are charged to expense as incurred, which approximates the timing of the revenue stream.

Information regarding the changes in ARRIS's aggregate product warranty liabilities for the three months ended March 31, 2016 was as follows (in thousands):

Balance at December 31, 2015	$ 49,027
Warranty reserve at acquisition	62,317
Accruals related to warranties (including changes in assumptions)	14,682
Settlements made (in cash or in-kind)	(12,416)
Balance at March 31, 2016	$113,610

Note 10. Inventories

The components of inventory were as follows, net of reserves (in thousands):

	March 31, 2016	December 31, 2015
Raw material	$ 86,437	$ 60,287
Work in process	2,453	3,076
Finished goods	573,397	338,229
Total inventories, net	$ 662,287	$ 401,592

Note 11. Property, Plant and Equipment

Property, plant and equipment, at cost, consisted of the following (in thousands):

	March 31, 2016	December 31, 2015
Land	$ 68,562	$ 68,562
Building and leasehold improvements	151,801	141,171
Machinery and equipment	475,207	407,110
	695,570	616,843
Less: Accumulated depreciation	(326,315)	(304,532)
Total property, plant and equipment, net	$ 369,255	$ 312,311

Note 12. Restructuring and Integration

The following table represents a summary of and changes to the restructuring accrual, which is primarily composed of accrued severance and other employee costs and contractual obligations that related to excess leased facilities (in thousands):

	Employee severance & termination benefits	Contractual obligations and other	Total
Balance at December 31, 2015	$ 3	$ 87	$ 90
Restructuring charges	50,984	3	50,987
Cash payments / adjustments	(37,411)	(38)	(37,449)
Balance at March 31, 2016	$ 13,576	$ 52	$ 13,628

Employee severance and termination benefits – In first quarter of 2016, ARRIS completed its acquisition of Pace. ARRIS initiated restructuring plans as a result of the Acquisition that focuses on the rationalization of personnel, facilities and systems across the ARRIS organization.

The total estimated cost of the restructuring plan was approximately $51.0 million and was recorded as severance expense during 2016. This amount is included in the Consolidated Statement of Operations in the line item titled "Integration, acquisition and restructuring costs" The restructuring plan affected approximately 900 employees across the company and within each of the Company's two reportable segments. The remaining liability is expected to be paid by the end of fourth quarter of 2016.

Contractual obligations - ARRIS has restructuring accruals representing contractual obligations that relate to excess leased facilities and equipment.

Integration expenses of $12.1 million were recorded during the three months ended March 31, 2016, related to outside services and other integration related activities.

Note 13. Indebtedness

The following is a summary of indebtedness and lease financing obligations as of March 31, 2016 and December 31, 2015 (in thousands):

	As of March 31, 2016	As of December 31, 2015
Current liabilities:		
Term loan A	$ 49,500	$ 49,500
Term loan A-1	40,000	–
Account receivable financing program	11,503	–
Lease finance obligation	799	758
Current obligations	101,802	50,258
Current deferred financing fees and debt discount	(7,683)	(6,667)
	94,119	43,591
Noncurrent liabilities:		
Term loan A	903,375	915,750
Term loan A-1	760,000	–
Term loan B	543,813	543,812
Revolver	–	–
Lease finance obligation	58,472	58,676
Noncurrent obligations	2,265,660	1,518,238
Noncurrent deferred financing fees and debt discount	(23,589)	(21,995)
	2,242,071	1,496,243
Total	$ 2,336,190	$ 1,539,834

Senior Secured Credit Facilities

On June 18, 2015, ARRIS Group amended and restated its existing credit agreement dated March 27, 2013 (the "Existing Credit Agreement") to improve the terms and conditions of the credit agreement, extend the maturities of certain loan facilities, increase the amount of the revolving credit facility, and add a new term A-1 loan facility to fund the acquisition of Pace. The credit facility under the amended credit agreement (the "Amended Credit Agreement") is comprised of (i) a "Term Loan A Facility" of $990 million, (ii) a "Term Loan B Facility" of $543.8 million, (iii) a "Revolving Credit Facility" of $500 million and (iv) a "Term Loan A-1 Facility" of $800

million, was funded upon the closing of the acquisition of Pace in 2016. Under the Amended Credit Agreement, the Term Loan A Facility, Term Loan A-1 Facility and the Revolving Credit Facility will mature on June 18, 2020. The Term Loan B Facility will mature on April 17, 2020. Interest rates on borrowings under the senior secured credit facilities are set forth in the table below.

	Rate	As of March 31, 2016
Term Loan A	LIBOR + 1.75 %	2.18%
Term Loan A-1	LIBOR + 1.75 %	2.18%
Term Loan B	LIBOR(1) + 2.50 %	3.25%
Revolving Credit Facility(2)	LIBOR + 1.75 %	Not Applicable

(1) Includes LIBOR floor of 0.75%

(2) Includes unused commitment fee of 0.35% and letter of credit fee of 1.75% not reflected in interest rate above.

The Amended Credit Agreement provides for adjustments to the interest rates paid on the Term Loan A, Term Loan A-1, Term Loan B and Revolving Credit Facility based upon the achievement of certain leverage ratios.

Borrowings under the senior secured credit facilities are secured by first priority liens on substantially all of the assets of ARRIS and certain of its present and future subsidiaries who are or become parties to, or guarantors under, the Amended Credit Agreement governing the senior secured credit facilities. The Amended Credit Agreement provides terms for mandatory prepayments, optional prepayments and commitment reductions. The Amended Credit Agreement also includes events of default, which are customary for facilities of this type (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all amounts outstanding under the credit facilities may be accelerated. The Amended Credit Agreement contains usual and customary limitations on indebtedness, liens, restricted payments, acquisitions and asset sales in the form of affirmative, negative and financial covenants, which are customary for financings of this type, including the maintenance of a minimum interest coverage ratio of 3.50:1 and a maximum leverage ratio of 3.75:1 (with a scheduled decrease to 3.50:1 in the first quarter of 2017). As of March 31, 2016, ARRIS was in compliance with all covenants under the Amended Credit Agreement.

During the three months ended March 31, 2016, the Company made mandatory prepayments of approximately $12.4 million related to the senior secured credit facilities. In addition, the Company repaid $240.2 million of debt assumed in the Pace acquisition.

Account Receivable Financing Program

In connection with the Combination on January 4, 2016, ARRIS assumed an accounts receivable financing program (the “AR Financing Program” or the “Program”) which was entered into by Pace on June 30, 2015. Under this Program, the Company assigns trade receivables on a revolving basis of up to $50 million to the lender and the lender advances 95% of the receivable value to the Company. The remaining 5% is remitted to ARRIS upon receipt of cash from the customer.

The AR Financing Program is accounted for as secured borrowings and amounts outstanding are included in the current portion of long-term debt on the consolidated balance sheet. The Company pays certain transaction fees and interest of 1.23% on the outstanding balance in connection with this Program.

Other

As of March 31, 2016, the scheduled maturities of the contractual debt obligations for the next five years are as follows (in thousands):

2016 (for the remaining nine months)	$ 67,125
2017	89,500
2018	89,500
2019	89,500
2020	1,961,063

Note 14. Segment Information

The “management approach” has been used to present the following segment information. This approach is based upon the way the management of the Company organizes segments within an enterprise for making operating

decisions and assessing performance. Financial information is reported on the basis that it is used internally by the chief operating decision maker ("CODM") for evaluating segment performance and deciding how to allocate resources to segments. The Company's chief executive officer has been identified as the CODM.

Our CODM manages the Company under two segments:

- ***Customer Premises Equipment ("CPE")*** – The CPE segment's product solutions include set-top boxes, gateways, and subscriber premises equipment that enable service providers to offer Voice, Video and high-speed data services to residential and business subscribers.
- ***Network & Cloud ("N&C")*** – The N&C segment's product solutions include cable modem termination system, video infrastructure, distribution and transmission equipment and cloud solutions that enable facility-based service providers to construct a state-of-the-art residential and metro distribution network. The portfolio also includes a full suite of global services that offer technical support, professional services and system integration offerings to enable solutions sales of ARRIS's end-to-end product portfolio.

These operating segments were determined based on the nature of the products and services offered. The measures that are used to assess the reportable segment's operating performance are sales and direct contribution. Direct contribution is defined as gross margin less direct operating expense. The "Corporate and Unallocated Costs" category of expenses include corporate sales and marketing, home office general and administrative expenses, annual bonus and equity compensation. These expenses are not included in the measure of segment direct contribution and as such are reported as "Corporate and Unallocated Costs" and are included in the reconciliation to income (loss) before income taxes. A measure of assets is not applicable, as segment assets are not regularly reviewed by the CODM for evaluating performance or allocating resources.

The table below represents information about the Company's reportable segments for the three months ended March 31, 2016 and 2015 (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Net sales to external customers:		
CPE	$1,090,828	$ 821,674
N&C	524,237	393,500
Other	(359)	(16)
Total	1,614,706	1,215,158
Direct contribution:		
CPE	131,965	151,452
N&C	156,984	94,203
Segment total	288,949	245,655
Corporate and unallocated costs	(186,027)	(141,892)
Amortization of intangible assets	(98,493)	(57,147)
Integration, acquisition, restructuring and other	(90,919)	(898)
Operating (loss) income	(86,490)	45,718
Interest expense	19,626	13,367
Loss on investments	1,959	1,709
Loss on foreign currency	12,241	20
Interest income	(783)	(721)
Other expense (income), net	(350)	7,063
Income (loss) before income taxes	$ (119,183)	$ 24,280

For the three month period ended March 31, 2016 and 2015, the compositions of our corporate and unallocated costs that are reflected in the consolidated statement of operations were as follow (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Corporate and unallocated costs:		
Cost of sales	$ 47,388	$ 14,741
Selling, general and administrative expenses	95,373	86,108
Research and development expenses	43,266	41,043
Total	$186,027	141,892

Note 15. Sales Information

ARRIS sells its products primarily in the United States. The Company's international revenue is generated from Asia Pacific, Canada, Europe and Latin America. Sales to customers outside of United States were approximately 24.4% and 26.7% of total sales for the three months ended March 31, 2016 and 2015, respectively.

International sales by region for the three months ended March 31, 2016 and 2015 were as follows (in thousands):

	Three Months Ended March 31,	
	2016	2015
Americas, excluding U.S. (1)	$236,639	$204,858
Asia Pacific	37,369	33,984
EMEA	119,732	85,561
Total international sales	$393,740	$324,403

(1) Excludes U.S. sales of $1,221.0 million and $890.8 million for the three months ended March 31, 2016 and 2015, respectively.

Note 16. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share ("EPS") computations for the periods indicated (in thousands, except per share data):

	Three Months Ended March 31,	
	2016	2015
Basic:		
Net (loss) income attributable to ARRIS International plc	$(202,573)	$ 19,126
Weighted average shares outstanding	191,743	145,350
Basic earnings per share	$ (1.06)	$ 0.13
Diluted:		
Net (loss) income attributable to ARRIS International plc	$(202,573)	$ 19,126
Weighted average shares outstanding	191,743	145,350
Net effect of dilutive equity awards	–	3,636
Total	191,743	148,986
Diluted earnings per share	$ (1.06)	$ 0.13

For the three months ended March 31, 2016, all of the equity-based awards were excluded from the computation of diluted earnings per share shares because their effect would have been anti-dilutive. For the three months ended March 31, 2015, no outstanding equity-based awards were anti-dilutive. These exclusions are made if the exercise price of these equity-based awards is in excess of the average market price of the shares for the period, or if the Company has net losses, both of which have an anti-dilutive effect.

During the three months ended March 31, 2016, the Company issued 0.8 million shares of its ordinary shares related to the vesting of restricted shares, as compared to 3.2 million shares for the twelve months ended December 31, 2015.

In connection with the Acquisition, ARRIS issued approximately 47.7 million shares of ARRIS International plc ordinary shares as part of the purchase consideration. The fair value of the 47.7 million shares issued, $1,434.7 million, was determined based on the conversion of each of Pace's shares and equity awards outstanding at a conversion rate of 0.1455 with a value of $30.08 at January 4, 2016, which represents the opening price of the Company's shares at the date of Combination. (See Note 3 *Business Acquisition* for additional details)

The Company has not paid cash dividends on its shares since its inception.

Note 17. Shareholders' Equity

The following table provides a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to shareholders of ARRIS International plc. and equity attributable to noncontrolling interest (in thousands):

	Common Stock	Ordinary Shares	Capital in Excess of Par Value	Treasury Stock	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total ARRIS International plc stockholders' equity	Non-controlling Interest	Total stockholders' equity
Balance, December 31, 2015	$ 1,790	$ —	$1,777,276	$(331,329)	$ 358,823	$ (12,646)	$1,793,914	$ 47,047	$1,840,961
Net income (loss)	—	—	—	—	(202,573)	—	(202,573)	(2,623)	(205,196)
Other comprehensive loss, net of tax	—	—	—	—	—	(7,830)	(7,830)	(3)	(7,833)
Compensation under stock award plans	—	—	14,276	—	—	—	14,276	—	14,276
Effect of combination on ARRIS Group	(1,439)	2,173	(734)		—	—	—	—	—
Cancellation of treasury stock	(351)	—	—	331,329	(330,978)	—	—	—	—
Issuance of ordinary shares for Pace acquisition	—	703	1,433,987	—	—	—	1,434,690	—	1,434,690
Issuance of ordinary shares and other	—	12	(13,941)	—	—	—	(13,929)	—	(13,929)
Repurchase of ordinary shares, net	—	(64)	—	—	(149,939)	—	(150,003)	—	(150,003)
Income tax expense related to exercise of restricted share units	—	—	(3,294)	—	—	—	(3,294)	—	(3,294)
Other	—	—	(2,717)	—	—	—	(2,717)	—	(2,717)
Balance, March 31, 2016	$ —	$ 2,824	$3,204,853	$ —	$(324,667)	$ (20,476)	$2,862,534	$ 44,421	$2,906,955

Combination

Prior to the Combination, the Company accounted for purchases of its outstanding common stock using the treasury share method permitted under U.S. GAAP. Under this method, the Company recorded purchases of its own outstanding common stock separately as a reduction to shareholders' equity based on the cost of the shares acquired. Under U.K. law, when the Company repurchases its outstanding shares, those shares are cancelled. In the quarter ended March 31, 2016 as part of the Combination, the Company constructively cancelled 35.1 million shares of treasury stock. The impact of the cancellation of all outstanding treasury shares was a decrease in common stock and retained earnings of $351 thousand and $331.0 million, respectively and the balance of treasury stock at cost of $331.3 million was eliminated.

Additionally, effective upon the completion of the Combination, the par value of ARRIS Group outstanding equity shares changed from $0.01 par value to a nominal value of £0.01. The impact of this change was an increase in Ordinary shares of $0.7 million, and decrease in additional paid-in capital of $0.7 million.

Note 18. Income Taxes

On January 4, 2016, ARRIS Group completed the Combination transaction with Pace, a company incorporated in England and Wales. In connection with the Combination, (i) ARRIS International plc ("ARRIS"), a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace (the "Pace Acquisition") and (ii) a wholly-owned subsidiary of ARRIS was merged with and into ARRIS Group (the "Merger"), with ARRIS Group surviving the Merger as an indirect wholly-owned subsidiary of ARRIS. As a result of the Merger, ARRIS incurred withholding taxes of $55.0 million. Subsequent to the Merger, ARRIS is subject to the United Kingdom statutory tax rate of 20% and a territorial corporate tax system. Prior to the Merger, ARRIS was subject to the U.S. statutory tax rate of 35% and a worldwide corporate tax system.

The Company's estimated annualized effective tax rate calculated separately from the effect of significant, infrequent or unusual items for 2016 is (25.1%). The estimated annualized effective tax rate differs from the UK statutory rate of 20% primarily as a result of the favorable impact of intragroup financing and 2016 U.S. federal research and development credits. For the three months ended March 31, 2016 and 2015, the Company recorded income tax expense of $86.0 million and $5.2 million, respectively. The change in income tax expense for the three month period ended March 31, 2016 compared to the three month period ended March 31, 2015, was due to a book loss in 2016, to which the estimated annualized effective tax rate of (25.1%) was applied. In addition, during the quarter the Company recorded $55 million of withholding tax expense in connection with the Combination, as well as $2.1 million of expense on expiring net operating losses, both of which are one-time items.

During the three month period ended March 31, 2016, the Company changed its permanent reinvestment assertion as it relates to earnings of certain foreign subsidiaries. As a result of this change, the Company recognized a deferred tax liability of $0.8 million in the three month period ending March 31, 2016.

Note 19. Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated other comprehensive income by component, net of taxes, for the three months ended March 31, 2016 and 2015 (in thousands):

	Available-for-sale securities	Derivative instruments	Change related to pension liability	Cumulative translation adjustments	Total
Balance as of December 31, 2015	$ 133	$ (6,781)	$(4,195)	$ (1,803)	$(12,646)
Other comprehensive (loss) income before reclassifications	(232)	(9,933)	–	3,080	(7,085)
Amounts reclassified from accumulated other comprehensive income (loss)	12	1,140	(1,897)	–	(745)
Net current-period other comprehensive income (loss)	(220)	(8,793)	(1,897)	3,080	(7,830)
Balance as of March 31, 2016	$ (87)	$ (15,574)	$(6,092)	$ 1,277	$(20,476)

	Available-for-sale securities	Derivative instruments	Change related to pension liability	Cumulative translation adjustments	Total
Balance as of December 31, 2014	$ 25	$ (3,166)	$(7,181)	$ (725)	$(11,047)
Other comprehensive (loss) income before reclassifications	9	(3,142)	–	(59)	(3,192)
Amounts reclassified from accumulated other comprehensive income (loss)	–	1,168	105	–	1,273
Net current-period other comprehensive income (loss)	9	(1,974)	105	(59)	(1,919)
Balance as of March 31, 2015	$ 34	$ (5,140)	$(7,076)	$ (784)	$(12,966)

Note 20. Repurchases of ARRIS Shares

The table below sets forth the purchases of ARRIS shares for the quarter ended March 31, 2016:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
January 2016	29,119	$ 25.85	–	$ 300,000
February 2016	2,369,945	$ 23.01	2,369,945	$ 245,465
March 2016	4,599,690	$ 23.64	4,021,594	$ 149,997

(1) Includes approximately 607,215 shares subject to equity awards that were cancelled for cash to satisfy minimum tax withholding obligations that arose on the vesting of shares of restricted stock units.

Upon completing the Combination, ARRIS International plc conducted a court-approved process in accordance with section 641(1)(b) of the UK Companies Act 2006, pursuant to which the Company reduced its stated share capital and thereby increased its distributable reserves or excess capital out of which ARRIS may legally pay dividends or repurchase shares. Distributable reserves are not linked to a U.S. GAAP reported amount. In early 2016, the Company's Board of Directors approved a $300 million share repurchase authorization replacing all prior programs of ARRIS Group. Unless terminated earlier by a Board resolution, this new plan will expire when ARRIS has used all authorized funds for repurchase.

Note 21. Commitments and Contingencies

Leases:

ARRIS leases office, distribution, and warehouse facilities as well as equipment under long-term leases expiring at various dates through 2023. Included in these operating leases are certain amounts related to restructuring activities; these lease payments and related sublease income are included in restructuring accruals on the consolidated balance sheets. Future minimum operating lease payments under non-cancelable leases at March 31, 2016 were as follows (in thousands):

	Operating Leases
2016 (for the remaining nine months)	$ 25,718
2017	27,883
2018	21,618
2019	16,872
2020	13,495
Thereafter	40,811
Less sublease income	(1,076)
Total minimum lease payments	$ 145,321

Total rental expense for all operating leases amounted to approximately $9.0 million and $6.5 million for the three months ended March 31, 2016 and 2015, respectively.

Additionally, the Company had contractual obligations of approximately $708.0 million under agreements with non-cancelable terms to purchase goods or services over the next year. All contractual obligations outstanding at the end of prior years were satisfied within a 12 month period, and the obligations outstanding as of March 31, 2016 are expected to be satisfied by 2017.

Bank Guarantees:

The Company has outstanding bank guarantees, of which certain amounts are collateralized by restricted cash. As of March 31, 2016, the restricted cash associated with the outstanding bank guarantee was $1.6 million which is reflected in Other Assets on the Consolidated Balance Sheets.

Legal Proceedings:

The Company accrues a liability for legal contingencies when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such determinations are made. Unless noted otherwise, the amount of liability is not probable or the amount cannot be reasonably estimated; and, therefore, accruals have not been made.

Due to the nature of the Company's business, it is subject to patent infringement claims, including current suits against it or one or more of its wholly-owned subsidiaries, or one or more of our customers who may seek indemnification from us, alleging infringement by various Company products and services. The Company believes that it has meritorious defenses to the allegation made in its pending cases and intends to vigorously defend these lawsuits; however, it is currently unable to determine the ultimate outcome of these or similar matters. Accordingly, with respect to these proceedings, we are currently unable to reasonably estimate the possible loss or range of possible losses. In addition, the Company is a defendant in various litigation matters generally arising out of the normal course of business. (See Part II, Item 1 "Legal Proceedings" for additional details)

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

ARRIS is a world leader in entertainment and communications technology. Our innovations combine hardware, software, and services across the cloud, network, and home to power TV and Internet for millions of people around the globe. The people of ARRIS collaborate with the world's top service providers, content providers, and retailers to advance the state of our industry and pioneer tomorrow's connected world.

We are headquartered in Suwanee, Georgia and operate in two business segments: Customer Premises Equipment ("CPE") and Network & Cloud ("N&C"). We enable service providers including cable, telephone, and digital broadcast satellite operators and media programmers to deliver media, voice, and IP data services to their subscribers. We are a leader in set-tops, digital video and Internet Protocol Television ("IPTV") distribution systems, broadband access infrastructure platforms, and associated data and voice CPE, which we also sell directly to consumers through retail channels. Our solutions are complemented by a broad array of services including technical support, repair and refurbishment, and system design and integration.

On January 4, 2016, ARRIS Group, Inc. completed its Combination with Pace, a company incorporated in England and Wales. In connection with the Combination, (i) ARRIS International plc, a company incorporated in England and Wales, acquired all of the outstanding ordinary shares of Pace and (ii) a wholly owned subsidiary of ARRIS International was merged with and into ARRIS Group, with ARRIS Group surviving the Merger as an indirect wholly owned subsidiary of ARRIS International. Under the terms of the Combination, (a) Pace shareholders received 132.5 pence in cash and 0.1455 ordinary shares of ARRIS International for each Pace Share they held, and (b) ARRIS Group stockholders received one ordinary share of ARRIS International for each share of ARRIS Group common stock they held.

Following the Combination, both ARRIS Group and Pace became indirect wholly-owned subsidiaries of ARRIS International. The ordinary shares of ARRIS International trade on The NASDAQ Global Market Select under the symbol "ARRS." In addition, while ARRIS International is incorporated under the laws of England and Wales, our corporate headquarters remain in Suwanee, Georgia. Following the Combination, we continue to operate in two business segments with the former Pace products included in our Network & Cloud and Consumer Premises Equipment Segments.

Business and Financial Highlights

Business Highlights

- Completed the acquisition of Pace in January 2016.
- Grew revenues year over year by 33%, primarily as the result of the Combination.
- Re-domiciled to the United Kingdom resulting in a lower overall effective tax rate.
- Established the International Business Operations Group, a focused team responsible for further leveraging the scale of ARRIS in the expanding international business.
- Made significant progress in the integration of the Pace business operations.

Financial Highlights

- Sales in the first quarter of 2016 were $1,614.7 million as compared to $1,215.2 million in the same period in 2015, primarily reflecting the impact of the Combination.
- Gross margin percentage was 23.8% in the first quarter of 2016, which compares to 27.7% in the first quarter of 2015. The decline in the margin reflects mix changes and the impact of required acquisition accounting adjustments to the Pace inventory in connection with the Combination.
- Total operating expenses (excluding amortization of intangible assets, integration, acquisition, restructuring charges and other costs) in the first quarter of 2016 were $281.6 million, as compared to $232.8 million in the same period last year, reflecting the increased size of the Company as a result of the Combination.
- We ended the first quarter of 2016 with $676.3 million of cash, cash equivalents and short-term marketable security investments. We used approximately $222.5 million of cash for operating activities in the first quarter of 2016. In the quarter, we used cash for several acquisition related activities (restructuring, integration, banker/ acquisition fees, withholding taxes and stamp taxes). We acquired $298.7 million of cash as part of the Combination.

- We ended the first quarter of 2016 with outstanding debt of $2,296.7 million, at face value, the current portion of which is $89.5 million. We repaid $12.4 million of our Term Loans under our credit facility and $240.2 million of indebtedness assumed in the Combination in the first quarter of 2016.
- During the first quarter of 2016, we used approximately $150.0 million of cash to repurchase 6.4 million ordinary shares at an average price of $23.47 per share.

Comparison of Operations for the Three Months Ended March 31, 2016 and 2015

Net Sales

The table below sets forth our net sales for the three months ended March 31, 2016 and 2015, for each of our segments (in thousands):

	Net Sales			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	%
Business Segment:				
CPE	$1,090,828	$ 821,674	$269,154	32.8%
N&C	524,237	393,500	130,737	33.2%
Other	(359)	(16)	(343)	–
Total sales	$1,614,706	$1,215,158	$399,548	32.9%

The table below sets forth our domestic and international sales for the three months ended March 31, 2016 and 2015 (in thousands):

	Net Sales			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	%
Domestic	$1,220,966	$ 890,755	$329,804	37.0%
International				
Americas, excluding U.S.	236,639	204,858	32,202	15.7%
Asia Pacific	37,369	33,984	3,384	10.0%
EMEA	119,732	85,561	34,171	39.9%
Total international	393,740	324,403	69,757	21.5%
Total	$1,614,706	$1,215,158	$399,561	32.9%

Customer Premises Equipment Net Sales 2016 vs. 2015

During the three months ended March 31, 2016, sales in the CPE segment increased $269.2 million, or approximately 32.8%, as compared to the same period in 2015. The increase is primarily attributable to expansion of both video and broadband products resulting from the Combination.

Network and Cloud Net Sales 2016 vs. 2015

During the three months ended March 31, 2016, sales in the N&C segment increased $130.7 million, or approximately 33.2%, as compared to the same period in 2015. The increase in sales is primarily a result of the Combination and increased customer spend as service providers increase their investment to expand broadband network capacity and high speed data internet access speeds.

Gross Margin

The table below sets forth our gross margin for the three months ended March 31, 2016 and 2015 (in thousands, except percentages):

	Gross Margin			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	Change
Gross margin dollars	$384,032	$336,556	$47,476	14.1%
Gross margin	23.8%	27.7%		(3.9)

During the three months ended March 31, 2016, gross margin dollars increased primarily as a result of the Combination. Gross margin percentage decreased primarily as a result of product mix. We had a change in mix within our CPE segment, reflecting higher sales of lower margin products. We also have higher sales of CPE products compared to Network and Cloud products. CPE sales have a lower margin than the consolidated average. We also valued acquired Pace inventory at fair value as of the acquisition date as required by accounting rules. The valuation resulted in a step-up of the underlying net book value of the Pace inventory by $52.3 million. The Company recognized increased cost of sales of $30.3 million in the quarter ended March 31, 2016 as this inventory was sold to customers which negatively impacted the gross margin. We expect the remaining inventory step-up of $22 million to be recognized by the end of the second quarter and our costs should subsequently decline accordingly.

Operating Expenses

The table below provides detail regarding our operating expenses (in thousands):

	Operating Expenses			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	%
Selling, general, and administrative	$119,963	$100,324	$ 19,639	19.6%
Research and development	161,147	132,469	28,678	21.6%
Amortization of intangible assets	98,493	57,147	41,346	72.4%
Integration, acquisition, restructuring & other	90,919	898	90,021	10,024.6%
Total	$470,522	$290,838	$179,684	62.0%

Selling, General, and Administrative, or SG&A Expenses

Our selling, general and administrative expenses include sales and marketing costs, including personnel expenses for sales and marketing staff expenses, advertising, trade shows, corporate communications, product marketing expenses and other marketing expenses. In addition, general and administrative expenses consist of personnel expenses and other general corporate expenses for corporate executives, finance and accounting, human resources, facilities, information technology, legal and professional fees.

SG&A expenses increased for the three months ended March 31, 2016 compared to the prior year due to our acquisition of Pace as well our ActiveVideo acquisition. During the quarter, we began restructuring activities, as a result we anticipate costs to decrease through 2016.

Research & Development, or R&D, Expenses

Research and development expenses consist primarily of personnel expenses, payments to suppliers for design services, product certification expenditures to qualify our products for sale into specific markets, prototypes, other consulting fees and reasonable allocations of our information technology and corporate facility costs. Research and development expenses are recognized as they are incurred.

During the three months ended March 31, 2016, R&D expenses increased as compared to the same period in 2015. The increase is due to incremental expense associated with our acquisition of Pace and ActiveVideo. During the quarter, we began restructuring activities in connection with the integration of Pace, as a result we anticipate costs to decrease through 2016.

Amortization of Intangible Assets

Our intangible amortization expense relates to finite-lived intangible assets acquired in business combinations. Intangibles amortization expense for the three months ended March 31, 2016 and 2015 was $98.5 million and $57.1 million, respectively. The increase is a result of the Combination and ActiveVideo acquisitions.

Integration, Acquisition and Restructuring Costs

During the three months ended March 31, 2016 and 2015, we recorded integration, acquisition, restructuring, and other costs of $90.9 million and $0.9 million, respectively.

Acquisition expenses of $27.8 million were recorded during the three months ended March 31, 2016, related to banker fees, legal fees and other direct costs of the Combination.

Integration expenses of $12.1 million were recorded during the three months ended March 31, 2016, related to outside services and other integration related activities.

Restructuring expense of $51.0 million was recorded during the three months ended March 31, 2016. The restructuring plan affected approximately 900 employees across the company and its two reportable segments.

The Company anticipates further restructuring during 2016 as it continues to integrate the Pace operations.

Direct Contribution

The table below sets forth our direct contribution for the three months ended March 31, 2016 and 2015, for each of our segments (in thousands):

	Direct Contribution			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	%
Business Segment:				
CPE	$131,965	$151,452	$(19,487)	(12.9)%
N&C	156,984	94,203	62,781	66.6%
Total	$288,949	$245,655	$ 43,294	17.6%

Customer Premises Equipment Direct Contribution 2016 vs. 2015

During the three months ended March 31, 2016, CPE segment direct contribution decreased by approximately $19.5 million, or 12.9%, as compared to the same period in 2015. Despite higher sales year over year, the direct contribution was negatively impacted by a higher mix of lower margin products. In addition to product mix, there was an increased investment in R&D as a result of the Combination.

Network and Cloud Direct Contribution 2016 vs. 2015

During the three months ended March 31, 2016, direct contribution in our N&C segment increased by approximately $62.8 million, or 66.6%, as compared to the same period in 2015. The increase was primarily attributable the higher sales resulting from the Combination, offset by higher R&D, also a result of the Combination.

Corporate and Unallocated Costs

There are expenses that are not included in the measure of segment direct contribution and as such are reported as "Corporate and Unallocated Costs" and are included in the reconciliation to income (loss) before income taxes. The "Corporate and Unallocated Costs" category of expenses include corporate sales and marketing, home office general and administrative expenses, annual bonus and equity compensation.

For the three months ended March 31, 2016 and 2015, the composition of our corporate and unallocated costs that are reflected in the consolidated statement of operations were as follows (in thousands, except percentages):

	Direct Contribution			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	%
Cost of sales	$ 47,388	$ 14,741	$32,647	221.5%
Selling, general & administrative expenses	95,373	86,108	9,265	10.8%
Research & development expenses	43,266	41,043	2,223	5.4%
Total	$186,027	$141,892	$44,135	31.1%

During the three months ended March 31, 2016, corporate and unallocated costs increased by approximately $44.1 million, or 31.1%, as compared to the same period in 2015. The increase was primarily attributable to an increase in general & administrative costs deriving from the acquisition of Pace. Included in cost of sales is $30.3 million associated with the step-up in the underlying net book value of Pace inventory to fair market value as of the acquisition date.

Other Expense (Income)

The table below provides detail regarding our other expense (in thousands):

	Direct Contribution			
	Three Months Ended March 31,		Increase (Decrease) 2016 vs. 2015	
	2016	2015	$	%
Interest expense	$19,626	$13,367	$ 6,259	46.8%
Loss on investments	1,959	1,709	250	14.6%
Loss on foreign currency	12,241	20	12,221	61,105.0%
Interest income	(783)	(721)	(62)	(8.6)%
Other (income) expense, net	(350)	7,063	(7,413)	(105.0)%
Total	$32,693	$21,438	$11,255	52.5%

Interest Expense

Interest expense includes the amortization of debt issuance costs (deferred finance fees and the debt discounts) related to our term loans and interest paid on notes and term loans and other debt obligations. Interest expense for the three months ended March 31, 2016 and 2015 was $19.6 million and $13.4 million respectively, reflecting the increase in debt resulting from the Combination. Upon the closing of the Pace acquisition in the first quarter of 2016, we incurred an additional $2.3 million of debt issuance costs which were capitalized and amortized over the term of the loan.

Loss (Gain) on Investments

From time to time, we hold certain investments in the common stock of private and publicly-traded companies, a number of non-marketable equity securities, and investments in rabbi trusts associated with our deferred compensation plans and certain investments in limited liability companies and partnerships that are accounted for using the equity method of accounting. As such our equity portion in current earnings of such companies is included in the loss (gain) on investments.

During the three months ended March 31, 2016 and 2015, we recorded net losses related to these investments of $2.0 million and $1.7 million, respectively.

Loss on Foreign Currency

During the three months ended March 31, 2016 and 2015, we recorded a foreign currency loss of approximately $12.2 million and $20 thousand, respectively. We have US dollar functional currency entities that bill certain international customers in their local currency. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. To mitigate the volatility related to fluctuations in the foreign exchange rates, we enter into various foreign currency contracts. The loss (gain) on foreign currency is driven by the fluctuations in the foreign currency exchange rates.

As part of the Pace acquisition completed in 2016, we paid the former Pace shareholders 132.5 pence per share in cash consideration, which was approximately 434.3 million British pounds, in the aggregate, as of January 4, 2016. We entered into foreign currency forward contracts to purchase British pounds and sell U.S. Dollars in order to mitigate the volatility related to fluctuations in the foreign exchange rate prior to the closing period. The contracts fixed the British pound to U.S. dollar forward exchange rate at various rates. During the quarter ended March 31, 2016, losses of $1.6 million were recorded related to the British pound forward contracts. These contracts were terminated upon the close of the Pace acquisition in January 2016.

Interest Income

Interest income during the three months ended March 31, 2016 and 2015 was $0.8 million and $0.7 million, respectively. The income reflects interest earned on cash, cash equivalents, short-term and long-term marketable security investments.

Other (Income) Expense, net

Other (income) expense, net for the three months ended March 31, 2016 and 2015 was $(0.4) million and $7.1 million, respectively. During the quarter ended March 31, 2015, the Company recorded a loss of $5.3 million from the sale of land and building associated with its San Diego campus facilities.

Income Tax Expense

Our estimated annualized effective tax rate calculated separately from the effect of significant, infrequent or unusual items for 2016 is (25.1%). The estimated annualized effective tax rate differs from the UK statutory rate of 20% primarily as a result of the favorable impact of intragroup financing and 2016 U.S. federal research and development credits. For the three months ended March 31, 2016 and 2015, we recorded income tax expense of $86.0 million and $5.2 million, respectively. The change in income tax expense for the three month period ended March 31, 2016 compared to the three month period ended March 31, 2015, was due to a book loss in 2016, to which the estimated annualized effective tax rate of (25.1%) was applied. In addition, during the quarter we recorded $55 million of withholding tax expense in connection with the Combination, as well as $2.1 million of expense on expiring net operating losses, both of which are one-time items.

Non-GAAP Measures

As part of our ongoing review of financial information related to our business, we regularly use non-GAAP measures, in particular non-GAAP earnings, as we believe they provide a meaningful insight into our business and trends. We also believe that these non-GAAP measures provide readers of our financial statements with useful information and insight with respect to the results of our business. However, the presentation of non-GAAP information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. Below are tables for the three months ended March 31, 2016 and 2015 which detail and reconcile GAAP and non-GAAP net sales and adjusted net income:

In managing and reviewing our business performance, we exclude a number of items required by GAAP. Management believes that excluding these items is useful in understanding the trends and managing our operations. We provide these supplemental non-GAAP measures in order to assist the investment community to see ARRIS through the “eyes of management,” and therefore enhance understanding of ARRIS’ operating performance. Non-GAAP financial measures should be viewed in addition to, and not as an alternative to, the Company’s reported results prepared in accordance with GAAP. Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

(in thousands, except per share data)	Q1 2015		Q1 2016	
	Amount	Per Diluted Share	Amount	Per Diluted Share
Sales	$1,215,158		$1,614,706	

	Q1 2015		Q1 2016	
	Amount	Per Diluted Share	Amount	Per Diluted Share
Net income (loss) attributable to ARRIS International plc.	$ 19,126	$ 0.13	$ (202,573)	$ (1.06)
Highlighted items:				
Impacting gross margin:				
Stock compensation expense	1,791	0.01	2,239	0.01
Acquisition accounting impacts related to inventory valuation	–	–	30,292	0.16
Impacting operating expenses:				
Integration, acquisition and restructuring costs	898	0.01	90,919	0.47
Amortization of intangible assets	57,147	0.38	98,493	0.51
Stock compensation expense	12,183	0.08	12,037	0.06
Noncontrolling interest share of non-GAAP adjustments	–	–	(776)	–
Impacting other (income) / expense:				
Credit facility - ticking fees	–	–	(9)	–
Foreign exchange contract losses related to cash consideration of Pace acquisition	–	–	1,610	0.01
Loss on sale of building	5,142	0.03	–	–
Impacting income tax expense:				
Foreign withholding tax			54,741	–
Net tax items	(30,533)	(0.20)	3,417	0.02
Total highlighted items	46,628	0.31	292,963	1.51
Net income excluding highlighted items	$ 65,754	$ 0.44	$ 90,390	$ 0.47
Weighted average common shares - basic		145,350		191,743
Weighted average common shares - diluted		148,986		193,591

Stock-Based Compensation Expense: We have excluded the effect of stock-based compensation expenses in calculating our non-GAAP operating expenses and net income (loss) measures. Although stock-based compensation is a key incentive offered to our employees, we continue to evaluate our business performance excluding stock-based compensation expenses. We record non-cash compensation expense related to grants of restricted stock units. Depending upon the size, timing and the terms of the grants, the non-cash compensation expense may vary significantly but will recur in future periods.

Acquisition Accounting Impacts Related to Inventory Valuation: In connection with the accounting related to our acquisitions, business combinations rules require the inventory be recorded at fair value on the opening balance sheet. This is different from historical cost. Essentially we are required to write the inventory up to end customer price less a reasonable margin as a distributor. This resulted in an increase in the value of inventory and resulted in higher cost of goods sold as it was sold.

Integration, Acquisition, and Restructuring Costs: We have excluded the effect of acquisition, integration, and other expenses and the effect of restructuring expenses in calculating our non-GAAP operating expenses and net income (loss) measures. We incurred expenses in connection with the ActiveVideo and the Pace acquisitions, which we generally would not otherwise incur in the periods presented as part of our continuing operations. Acquisition and integration expenses consist of transaction costs, costs for transitional employees, other acquired employee related costs, and integration related outside services. Restructuring expenses consist of employee severance and abandoned facilities. We believe it is useful to understand the effects of these items on our total operating expenses.

Amortization of Intangible Assets: We have excluded the effect of amortization of intangible assets in calculating our non-GAAP operating expenses and net income (loss) measures. Amortization of intangible assets is non-cash, and is inconsistent in amount and frequency and is significantly affected by the timing and size of our acquisitions. Investors should note that the use of intangible assets contributed to our revenues earned during the periods presented and will contribute to our future period revenues as well. Amortization of intangible assets will recur in future periods.

Noncontrolling Interest share of Non-GAAP Adjustments: The joint venture formed with Charter for the ActiveVideo acquisition is accounted for by ARRIS under the consolidation method. As a result, the consolidated statements of operations include the revenues, expenses, and gains and losses of the noncontrolling interest. The amount of net income (loss) related to the noncontrolling interest are reported and presented separately in the

consolidated statement of operations. We have excluded the noncontrolling share of any non GAAP adjusted measures recorded by the venture, as we believe it is useful to understand the effect of excluding this item when evaluating our ongoing performance.

Credit Facility – Ticking Fees: In connection with our acquisition of Pace, the cash portion of the consideration was funded through debt financing commitments. A ticking fee was paid to our banks to compensate for the time lag between the commitment allocation on a loan and the actual funding. We have excluded the effect of the ticking fee in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of this item in our other expense (income).

Foreign Exchange Contract Losses Related to Cash Consideration of Pace Acquisition: In the second quarter of 2015, the Company announced its intent to acquire Pace plc in exchange for stock and cash. We subsequently entered into foreign exchange forward contracts in order to hedge the foreign currency risk associated with the cash consideration of the Pace acquisition. These foreign exchange forward contracts were not designated as hedges, and accordingly, all changes in the fair value of these instruments are recognized as a loss (gain) on foreign currency in the Consolidated Statements of Operations. We believe it is useful to understand the effect of this on our other expense (income).

Loss on Sale of Building: In the first quarter of 2015, the Company sold land and a building that qualified for sale-leaseback accounting and was classified as an operating lease. A loss has been recorded on the sale. We have excluded the effect of the loss on sale of property in calculating our non-GAAP financial measures. We believe it is useful to understand the effect of excluding this item when evaluating our ongoing performance.

Foreign Withholding Tax: In connection with our acquisition of Pace, ARRIS US Holdings, Inc. transferred shares of its subsidiary ARRIS Financing II Sarl to ARRIS International plc. Under U.S. tax law, based on the best available information, we believe the transfer constituted a deemed distribution from ARRIS U.S. Holdings Inc. to ARRIS International plc that is treated as a dividend for U.S. tax purposes. A deemed dividend of this type is subject to U.S. withholding tax to the extent of the current and accumulated earnings and profits (as computed for tax purposes) (“E&P”) of ARRIS U.S. Holdings Inc., which include the E&P of the former ARRIS Group, Inc. and subsidiaries through December 31, 2016. Accordingly, ARRIS U.S. Holdings Inc. remitted U.S. withholding tax in the amount of $55 million based upon its estimated E&P of $1.1 billion and the U.S. dividend withholding tax rate of 5 percent (as provided in Article 10 (Dividends) of the United Kingdom-United States Tax Treaty). We have excluded the withholding tax in calculating our non-GAAP financial measures.

Net Tax Items: We have excluded the tax effect of the non-GAAP items mentioned above. Additionally, we have excluded the effects of certain tax adjustments related to state valuation allowances, research and development tax credits and provision to return differences.

Financial Liquidity and Capital Resources

One of our key strategies remains maintaining and improving our capital structure. The key metrics we focus on are summarized in the table below:

Liquidity & Capital Resources Data

	Three Months Ended March 31,			
	2016		2015	
	(in thousands, except DSO and turns)			
Key Working Capital Items				
Cash used in operating activities	$	(222,535)	$	(63,263)
Cash, cash equivalents, and short-term investments	$	676,250	$	628,555
Long-term U.S. corporate bonds	$	–	$	3,054
Accounts receivable, net	$	972,540	$	819,918
Days Sales Outstanding		55		53
Inventory	$	662,287	$	372,379
Inventory turns		7.4		9.1
Key Financing Items				
Term loans at face value	$	2,296,688	$	1,533,813
Lease financing obligation	$	59,271	$	59,860
Accounts receivable financing facility	$	11,503		–
Cash used for debt repayment	$	252,625	$	13,750
Cash used for shares repurchases	$	150,003	$	24,999
Key Investing Items				
Capital Expenditures	$	9,140	$	10,919

Overview

In managing our liquidity and capital structure, we remained and are focused on key goals, and we have and will continue in the future to implement actions to achieve them. They include:

- Liquidity – ensure that we have sufficient cash resources or other short-term liquidity to manage day to day operations.
- Growth – implement a plan to ensure that we have adequate capital resources, or access thereto, fund internal growth and execute acquisitions.
- Share repurchases – opportunistically repurchase our ordinary shares.
- Deleverage – reduce our debt obligation.

Accounts Receivable & Inventory

We use the number of times per year that inventory turns over (based upon sales for the most recent period, or turns) to evaluate inventory management, and days sales outstanding, or DSOs, to evaluate accounts receivable management.

Accounts receivable at the end of the first quarter of 2016 increased as compared to 2015, primarily as a result of the inclusion of sales associated with the Pace products, which were not included in 2015, as well as payment patterns of our customers and timing of shipments to customers. As part of the Pace acquisition, we acquired approximately $452.3 million of accounts receivable.

Inventory increased in 2016 as compared to 2015, primarily as a result of the Pace acquisition. We acquired approximately $426.9 million of inventory upon closing of the Pace transaction in January 2016.

Term Debt Repayments

In the first quarter of 2016 and 2015, we repaid $12.4 million and $13.8 million of our term debt, respectively. Additionally, we repaid $240.2 million of debt assumed and settled in conjunction with the Pace acquisition in January 2016.

Lease Financing Obligation

In the first quarter of 2015, we sold our San Diego office complex consisting of land and buildings. We concurrently entered into a leaseback arrangement for two of the buildings (Building 1 and Building 2). Building 1 did not qualify for sale-leaseback accounting due to continuing involvement that will exist for the 10-year lease term. Accordingly, the carrying value of Building 1 will remain on the Company's balance sheet and will be depreciated over the ten-year lease period with the proceeds reflected as a financing obligation.

Share Repurchases

Upon completing the Combination, we conducted a court-approved process in accordance with section 641(1)(b) of the UK Companies Act 2006, pursuant to which we reduced our stated share capital and thereby increased our distributable reserves or excess capital out of which we may legally pay dividends or repurchase shares. Distributable reserves are not linked to a U.S. GAAP reported amount. In early 2016, our Board of Directors approved a new $300 million share repurchase authorization replacing all prior program. Unless terminated earlier by a Board resolution, this new plan will expire when ARRIS has used all authorized funds for repurchase. During the first quarter of 2016, we repurchased 6.4 million ordinary shares for approximately $150.0 million at an average stock price of $23.47.

During the first quarter of 2015, we repurchased 0.9 million shares of our common stock under a previously approved plan for approximately $25.0 million at an average stock price of $28.70.

Summary of Current Liquidity Position and Potential for Future Capital Raising

We believe our current liquidity position, where we have approximately $676.3 million of cash, cash equivalents, and short-term investments marketable securities on hand as of March 31, 2016, together with approximately $498.0 million in availability under our new Revolving Credit Facility, together with the prospects for continued generation of cash from operations are adequate for our short- and medium-term business needs. Our cash, cash-equivalents and short-term investments as of March 31, 2016 include approximately $326.5 million held by all foreign subsidiaries and $48.9 million held by foreign subsidiaries whose earnings we expect to reinvest indefinitely outside of the United States. We do not expect to need the cash generated by those foreign subsidiaries to fund our domestic operations. However, in the unforeseen event that we repatriate cash from those foreign subsidiaries, we may be required to provide for and pay U.S. taxes on permanently repatriated funds.

We have subsidiaries in countries that maintain restrictions, such as legal reserves, with respect to the amount of dividends that the subsidiaries can distribute. Additionally, some countries impose restrictions or controls over how and when dividends can be paid by these subsidiaries. While we do not currently intend to repatriate earnings from entities in these countries, if we were to be required to distribute earnings from such countries, the timing of the distribution and the funds available to distribute, would be adversely impacted by these restrictions.

We expect to be able to generate sufficient cash on a consolidated basis to make all of the principal and interest payments under our senior secured credit facilities. Should our available funds be insufficient to support these initiatives or our operations, it is possible that we will raise capital through private or public, share or debt offerings.

Senior Secured Credit Facilities

On June 18, 2015, we amended and restated our existing credit agreement dated March 27, 2013 (the "Existing Credit Agreement") to improve the terms and conditions of the credit agreement, extend the maturities of certain loan facilities, increase the amount of the revolving credit facility, and add a new term A-1 loan facility to fund the acquisition of Pace. The credit facility under the amended credit agreement (the "Amended Credit Agreement") was entered into with Bank of America, N.A. and various other institutions, and is comprised of (i) a

"Term Loan A Facility" of $990 million, (ii) a "Term Loan B Facility" of $543.8 million, (iii) a "Revolving Credit Facility" of $500 million and (iv) a "Term Loan A-1 Facility" of $800 million, which was funded upon the closing of the acquisition of Pace. Under the Amended Credit Agreement, the Term Loan A Facility, Term Loan A-1 Facility and the Revolving Credit Facility will mature on June 18, 2020. The Term Loan B Facility will mature on April 17, 2020.

Interest rates on borrowings under the senior secured credit facilities are set forth in the table below. As of March 31, 2016, we had $952.9 million, $800.0 million and $543.8 million principal amount outstanding under the Term Loan A, Term Loan A-1 and Term Loan B Facilities. No borrowings under the Revolving Credit Facility and letters of credit totaling $2.0 million issued under the Revolving Credit Facility.

	Rate	As of March 31, 2016
Term Loan A	LIBOR + 1.75 %	2.18%
Term Loan A-1	LIBOR + 1.75 %	2.18%
Term Loan B	LIBOR(1) + 2.50 %	3.25%
Revolving Credit Facility(2)	LIBOR + 1.75 %	Not Applicable

(1) Includes LIBOR floor of 0.75%

(2) Includes unused commitment fee of 0.35% and letter of credit fee of 1.75% not reflected in interest rate above.

The Amended Credit Agreement provides for certain adjustments to the interest rates paid on the Term Loan A, Term Loan A-1, Term Loan B and Revolving Credit Facility based upon the achievement of certain leverage ratios.

Borrowings under the senior secured credit facilities are secured by first priority liens on substantially all of the assets of ARRIS and certain of its present and future subsidiaries who are or become parties to, or guarantors under, the Amended Credit Agreement governing the senior secured credit facilities. The Amended Credit Agreement provides terms for mandatory prepayments and optional prepayments and commitment reductions. The Amended Credit Agreement also includes events of default, which are customary for facilities of this type (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all amounts outstanding under the credit facilities may be accelerated. The Amended Credit Agreement contains usual and customary limitations on indebtedness, liens, restricted payments, acquisitions and asset sales in the form of affirmative, negative and financial covenants, which are customary for financings of this type, including the maintenance of a minimum interest coverage ratio of 3.50:1 and a maximum leverage ratio of 3.75:1 (with a scheduled decrease to 3.50:1 in the first quarter of 2017). As of March 31, 2016, we were in compliance with all covenants under the Amended Credit Agreement.

In connection with the Combination on January 4, 2016, ARRIS assumed an accounts receivable financing program (the "AR Financing Program" or the "Program") which was entered into by Pace on June 30, 2015. Under this Program, ARRIS assigns trade receivables on a revolving basis of up to $50 million to the lender and the lender advances 95% of the receivable value to us. The remaining 5% is remitted to ARRIS upon receipt of cash from the customer.

The Program is accounted for as secured borrowings and amounts outstanding are included in the current portion of long-term debt on the consolidated balance sheet. We pay certain transaction fees and interest of 1.23% on the outstanding balance in connection with this Program.

Commitments

As a result of the Pace acquisition, our contractual obligations have significantly increased from the amounts shown in the table included in our Annual Report on Form 10-K for the year ended December 31, 2015. Included below is a summary reflecting the additional contractual obligations that we have undertaken in the quarter ended March 31, 2016.

Following is a summary of our contractual obligations as of March 31, 2016 (in thousands):

	Payments due by period				
Contractual Obligations	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**
Credit facilities [1]	$ 89,500	$179,000	$2,028,188	$ –	$2,296,688
Operating leases, net of sublease income [2]	31,470	59,720	36,575	49,213	176,978
Purchase obligations [3]	728,000	10,002	–	–	738,002
Total contractual obligations [4]	$ 848,970	$248,722	$2,064,763	$ 49,213	$3,211,668

(1) Represents face values of Term Loan A, A-1 and B which have terms of five years, five years and seven years respectively.
(2) Includes leases which are reflected in restructuring accruals on the consolidated balance sheets.
(3) Represents obligations under agreements with non-cancelable terms to purchase goods or services. The agreements are enforceable and legally binding, and specify terms, including quantities to be purchased and the timing of the purchase.
(4) Approximately $85.5 million of uncertain tax positions have been excluded from the contractual obligation table because we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Sources and Uses of Cash

Below is a table setting forth the key line items of our Consolidated Statements of Cash Flows (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Cash (used in) provided by		
Operating activities	$ (222,535)	$ (63,263)
Investing activities	(350,321)	(18,289)
Financing activities	368,455	15,244
Net (decrease) increase in cash and cash equivalents	$ (204,401)	$ (66,308)

Operating Activities:

Below are the key line items affecting cash provided by operating activities (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Consolidated net (loss) income	$ (205,196)	$ 19,126
Adjustments to reconcile consolidated net income to cash provided by operating activities	103,363	67,119
Consolidated net (loss) income including adjustments	(101,833)	86,245
Decrease (increase) in accounts receivable	130,461	(221,582)
Decrease in inventory	166,177	28,786
(Decrease) increase in accounts payable and accrued liabilities	(535,651)	55,950
All other – net	118,311	(12,662)
Cash used in operating activities	$ (222,535)	$ (63,263)

Consolidated net (loss) income, including adjustments, as per the table above, decreased $188.1 million during the first three months of 2016 as compared to 2015. It should be noted that the net income reflected in the first quarter of 2016 includes: 1) restructuring costs of $51.0 million, 2) acquisition and integration costs of $39.9 million, 3) withholding tax of $55.0 million and) inventory step-up in fair market value of $30.3 million. These items were either not present or were insignificant in the first quarter of 2015

Accounts receivable decreased by $130.5 million during the first three months of 2016 and days sales outstanding by 7 days. These decreases were primarily as a result of normal purchasing pattern and payment patterns of our customers.

Inventory decreased by $166.2 million during the first three months of 2016, reflecting timing of customer requirements and anticipated demand for certain products. In the first quarter of 2016, there was a $30.3 million reduction related to turnaround effect of inventory markup in acquisition accounting.

Accounts payable and accrued liabilities decreased by $535.7 million. The change reflects the normal payments to vendors for inventory received in the fourth quarter to support the anticipated demand. As described above, inventory decreased in the first quarter. The Company acquired $800.5 million of accounts payable and accrued liabilities as part of the Combination. We estimate that we reduced these liabilities by approximately $400 million by the end of the first quarter of 2016. We acquired $298.7 million of cash as part of the Combination. This cash is netted against the cash used for acquisitions in the investing section of the cash flow statement and is not included in the operating section. The change also reflects the payout of annual bonuses during the quarter.

All other accounts, net, includes the changes in other receivables, income taxes payable (recoverable), and prepaids. The other receivables represent amounts due from our contract manufacturers for material used in the assembly of our finished goods. The change in our income taxes recoverable account is a result of the timing of the actual estimated tax payments during the year as compared to the actual tax liability for the year. The net change during the first three months of 2016 was approximately $118.1 million as compared to $12.7 million during the same period in 2015.

Investing Activities:

Below are the key line items affecting investing activities (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Purchases of property, plant and equipment	$ (9,140)	$ (10,919)
Purchases of investments	(4,778)	(11,063)
Sales of investments	2,093	10,169
Acquisition, net of cash acquired	(340,118)	–
Purchase of intangible assets	(1,310)	(34,340)
Proceeds from sale-leaseback transaction	–	24,960
Other, net	2,932	2,904
Cash provided by (used in) investing activities	$ (350,321)	$ (18,289)

Purchases of property, plant and equipment – Represents capital expenditures which are mainly for test equipment, laboratory equipment, and computing equipment.

Purchases and sales of investments – Represent purchases and sales of securities and other investments.

Acquisition, net of cash acquired – Represent cash investments we have made in our acquisition of Pace net of $298.7 million of cash was acquired in the Pace acquisition.

Purchase of intangible assets – Represent primarily the purchase of technology licenses.

Proceeds from sale-leaseback transaction – Represent proceeds received from the sale of land and building that qualified for sale-leaseback accounting.

Other, net – Represent dividend proceeds received from equity investments.

Financing Activities:

Below are the key line items affecting our financing activities (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Proceeds from issuance of debt	800,000	–
Payment of debt obligations	(252,625)	(13,750)
Payment for debt discount	(2,304)	–
Proceeds from sale-leaseback financing transaction	–	58,729
Payment of lease financing obligation	(164)	–
Repayment on account receivable financing facility	(12,042)	–
Repurchase of shares	(150,003)	(24,999)
Excess income tax benefits from stock-based compensation plans	2,354	16,437
Repurchase of shares to satisfy employee minimum tax withholdings	(14,045)	(21,194)
Proceeds (costs) from issuance of stock	(2,716)	21
Cash provided by (used in) financing activities	$ 370,759	$ 15,244

Proceeds From Issuance of Debt – "Term Loan A-1 Facility" of $800 million, which was funded upon the closing of the acquisition of Pace.

Payment of Debt Obligations – Represents the mandatory payment of the term loans under the senior secured credit facilities, as well as the repayment of the debt assumed upon the acquisition of Pace.

Payment for debt discount – Represents amounts paid to lenders in the form of upfront fees, which have been treated as a reduction in the proceeds received by the ARRIS and are considered a component of the discount of the Term Loans A-1.

Proceeds from sale-leaseback financing transaction – Represents the portion of the sale of building that did not qualify for sale-leaseback accounting.

Payment of lease financing obligation – Represents the amortization related to the portion of the sale of building that did not qualify for sale-leaseback accounting.

Repayment on account receivable financing facility – As part of the Pace acquisition, we obtained an accounts receivable securitization program. This represents the repayment of the secured borrowings.

Repurchase of shares – Represents the cash used to buy back the Company's ordinary shares.

Excess Income Tax Benefits from Stock-Based Compensation Plans – This represents the cash that otherwise would have been paid for income taxes if increases in the value of equity instruments also had not been deductible in determining taxable income.

Repurchase of Shares to Satisfy Tax Withholdings – This represents the shares withheld to satisfy the minimum tax withholding when restricted stock vests.

Proceeds from Issuance of Shares – This represents cash proceeds related to the exercise of employee stock options, offset by expenses paid related to issuance of shares.

Interest Rates

As described above, all indebtedness under our senior secured credit facilities bears interest at variable rates based on LIBOR plus an applicable spread. We entered into interest rate swap arrangements to convert a notional amount of $925.0 million of our variable rate debt based on one-month LIBOR to a fixed rate. This objective of these swaps is to manage the variability of cash flows in the interest payments related to the portion of the variable rate debt designated as being hedged.

Foreign Currency

A significant portion of our products are manufactured or assembled in Brazil, China, Mexico and Taiwan, and we have research and development centers outside of the United States in China, England, France, India, Ireland, Northern Ireland and Sweden. Our sales into international markets have been and are expected in the future to be an important part of our business. These foreign operations are subject to the usual risks inherent in conducting business abroad, including risks with respect to currency exchange rates, economic and political destabilization, restrictive actions and taxation by foreign governments, nationalization, the laws and policies of the United States affecting trade, foreign investment and loans, and foreign tax laws.

We have certain international customers who are billed in their local currency and certain international operations that procure in U.S. dollars. We also have certain predicable expenditures for international operations in local currency. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. As part of the Pace acquisition, we paid the former Pace shareholders 132.5 pence per share in cash consideration, which is approximately 434.3 million British pounds, in the aggregate, as of January 4, 2016. These contracts were settled upon the close of the Pace acquisition in January 2016. We use a hedging strategy and enter into forward or currency option contracts based on a percentage of expected foreign currency revenues and expenses. The percentage can vary, based on the predictability of the revenues denominated in the foreign currency.

Financial Instruments

In the ordinary course of business, we, from time to time, will enter into financing arrangements with customers. These financial arrangements include letters of credit, commitments to extend credit and guarantees of debt. These agreements could include the granting of extended payment terms that result in longer collection periods for accounts receivable and slower cash inflows from operations and/or could result in the deferral of revenue.

We execute letters of credit and bank guarantees in favor of certain landlords, customers and vendors to guarantee performance on contracts. Certain financial instruments require cash collateral and these amounts are reported in Other Assets on the Consolidated Balance Sheets. As of March 31, 2016 and December 31, 2015, we had approximately $1.6 million and $0.8 million outstanding, respectively, of restricted cash.

Cash, Cash Equivalents, and Short-Term Investments

Our cash and cash equivalents (which are highly-liquid investments with remaining maturity at acquisition of three months or less) are primarily held in demand deposit accounts and money market accounts. We hold short-term investments consisting of debt securities classified as available-for-sale, which are stated at estimated fair value. These debt securities consist primarily of commercial paper, certificates of deposits, short-term corporate obligations and U.S. government agency financial instruments.

We hold cost method investments in private companies. These investments are recorded at $17.8 million and $16.6 million as of March 31, 2016 and December 31, 2015, respectively. See Note 6 of Notes to the Consolidated Financial Statements for disclosures related to the fair value of our investments.

We have two rabbi trusts that are used as funding vehicles for various deferred compensation plans that were available to certain current and former officers and key executives. We also have deferred retirement salary plans, which were limited to certain current or former officers of a business acquired in 2007. We hold investments to fund the liability.

ARRIS also funds its nonqualified defined benefit plan for certain executives in a rabbi trust.

Capital Expenditures

Capital expenditures are made at a level designed to support the strategic and operating needs of the business. ARRIS's capital expenditures were $9.1 million in the first three months of 2016 as compared to $10.9 million in the first three months of 2015. Management expects to invest approximately $50 million in capital expenditures for the year 2016.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in our Form 10-K for the year ended December 31, 2015, as filed with the SEC. Our critical accounting estimates have not changed in any material respect during the three months ended March 31, 2016.

Forward-Looking Statements

Certain information and statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this report, including statements using terms such as "may," "expect," "anticipate," "intend," "estimate," "believe," "plan," "continue," "could be," or similar

variations thereof, constitute forward-looking statements with respect to the financial condition, results of operations, and business of ARRIS, including statements that are based on current expectations, estimates, forecasts, and projections about the markets in which we operate and management's beliefs and assumptions regarding these markets. These and any other statements in this document that are not statements about historical facts are "forward-looking statements." We caution investors that forward-looking statements made by us are not guarantees of future performance and that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. Important factors that could cause results or events to differ from current expectations are described in the risk factors set forth in Item 1A, Part II, "Risk Factors." These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the operations, performance, development and results of our business. In providing forward-looking statements, ARRIS expressly disclaims any obligation to update publicly or otherwise these statements, whether as a result of new information, future events or otherwise except to the extent required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes with respect to the information appearing in Part II, Item 7A., "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. CONTROLS AND PROCEDURES

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report (the "Evaluation Date"). Based on that evaluation, such officers concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective as contemplated by the Act.

(b) *Changes in Internal Control over Financial Reporting*. Our principal executive officer and principal financial officer evaluated the changes in our internal control over financial reporting that occurred during the most recent fiscal quarter. Except as described below, based on that evaluation, our principal executive officer and principal financial officer concluded, that there had been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. During the quarter ended March 31, 2016, we acquired Pace and are in the process of integrating the acquired business into our overall internal control over financial reporting process. We expect to exclude Pace from the assessment of internal control over financial reporting as of December 31, 2016.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We have been, and expect in the future to be a party to various legal proceedings, investigations or claims. In accordance with applicable accounting guidance, we record accruals for certain of our outstanding legal proceedings when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least on a quarterly basis, developments in our legal proceedings or other claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. When a loss contingency is not both probable and reasonably estimable, we do not record a loss accrual.

If the loss (or an additional loss in excess of any prior accrual) is reasonably possible and material, we disclose an estimate of the possible loss or range of loss, if such estimate can be made. The assessment whether a loss is probable or reasonably possible and whether the loss or a range of loss is estimable, involves a series of complex judgments about future events. Even if a loss is reasonably possible, we may not be able to estimate a range of possible loss, particularly where (i) the damages sought are substantial or indeterminate, (ii) the proceedings are in the early stages, or (iii) the matters involve novel or unsettled legal theories or a large number of parties. In such cases, there is considerable uncertainty regarding the ultimate resolution of such matters, including the amount of any possible loss. Accordingly, with respect to the proceedings described below, we are currently unable to

reasonably estimate the possible loss or range of possible loss. However, because the results in litigation are unpredictable, an adverse resolution of one or more of such matters could have a material adverse effect on our business, financial position, results of operations or cash flows.

Due to the nature of our business, it is subject to patent infringement claims, including current suits against us or one or more of our wholly-owned subsidiaries or one or more of our customers who may seek indemnification from us. We believe that we have meritorious defenses to the allegation made in the pending cases and intend to vigorously defend these lawsuits; however, we are unable currently to determine the ultimate outcome of these or similar matters. In addition, we are a defendant in various litigation matters generally arising out of the normal course of business. Except as described below, ARRIS is not party to (nor have indemnification claims been made with respect to) any proceedings that are, or reasonably are expected to be, material to its business, results of operations or financial condition. However, since it is difficult to predict the outcome of legal proceedings, it is possible that the ultimate outcomes could materially and adversely affect our business, financial position, results of operations or cash flows. Accordingly, with respect to these proceedings, we are currently unable to reasonably estimate the possible loss or range of possible loss.

AT&T v. Cox, C.A. 14-cv-01106., District of Delaware. On August 28, 2014, AT&T sued Cox for infringement of eight U.S. patents. Cox has requested that we provide indemnification. The complaint requests unspecified damages for past and future infringement. To date, no evidence of damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

Bear Creek Technologies v. MSOs, C.A. 2:11-cv-00103, District of Delaware. On February 22, 2011, Bear Creek sued MSOs, telcos and other VoIP service providers for infringement of US Patent No. 7,889,722, relating to EMTAs. Certain of our customers have requested that we provide indemnification. The complaint requests unspecified damages for past infringement and injunction against future infringement. This case has been stayed pending reexamination of the patent by the United States Patent and Trademark Office. In reexamination the Patent and Trademark Office held all claims invalid, and an appeal of that holding is currently pending with the Patent Trial and Appeals Board. To date, no evidence of damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

Berman v. Comcast Corp., C.A. 2:16-cv-00412, Eastern District of Texas. On April 15, 2016, Berman filed suit against Comcast alleging infringement of expired U.S. Patent Nos. 5,523,791 and 5,610,665, both allegedly relating to overlaying graphics onto video images. Comcast has requested that we provide indemnification. The complaint requests unspecified damages for past infringement. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify Comcast and/or pay damages for utilizing certain technology.

Broadband iTV v. Time Warner Cable (TWC) et al., C.A. 1:14-cv-00169, District of Hawaii. On April 9, 2014, Broadband iTV filed suit against TWC alleging infringement of U.S. Patent No. 7,631,336 relating to media sharing. TWC has requested that we provide indemnification. The court ruled the patent invalid, and Broadband iTV has appealed that ruling. The complaint requests unspecified damages for past infringement and an injunction. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify TWC and/or pay damages for utilizing certain technology.

C-Cation v. ARRIS et al., C.A. 14-cv-00059, Eastern District of Texas; C-Cation v. Atlantic Broadband et al., C.A. 15-cv-00295, District of Delaware. On February 4, 2014, C-Cation filed suit against TWC, ARRIS, Cisco and Casa alleging infringement of U.S. Patent No. 5,563,883 relating to channel management. On April 7, 2015, C-Cation filed an additional suit against several remaining MSOs alleging infringement of the same patent. Certain of our customers have requested that we provide indemnification. An Inter Partes Review request filed by ARRIS on the claims asserted in the litigation has been instituted and a hearing on the case was held on April 26, 2016. The Patent Trial and Appeal Board (PTAB) will render a final written decision by July 31, 2016. The litigation has been stayed pending conclusion of the Inter Partes Review proceeding. The asserted patent expired in 2014 and the complaint requests unspecified damages for past infringement. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

ChanBond v. MSOs, C.A. 15-cv-00848, et al, District of Delaware (RGA). On September 21, 2015, ChanBond filed suit against several MSOs alleging infringement of three US Patents. Certain of our customers have

requested that we provide indemnification. The complaint requests unspecified damages for infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

Pace c/ Copie France, RG N°14/02114, Court of First Instance of Nanterre (*Tribunal de Grande Instance de Nanterre*). On August 17, 2015, Copie France filed suit against Pace France and Sagemcom Broadband SAS, on a subsidiary basis, in connection with a litigation matter against Canal+, claiming the collection of private copy levies for allegedly misclassified devices put into service by Canal+. By filing suit on a subsidiary basis against Pace France, it will permit Copie France to seek recovery from Pace France in the event its claims against Canal+ are rejected. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, an ARRIS subsidiary may be required to pay damages to Copie France.

Dragon Intellectual Property v. MSOs, C.A. 13-cv-02069; 13-cv-02063, etc., District of Delaware (RGA). On December 20, 2013, Dragon IP filed suit against several MSOs alleging infringement of US Patent No. 5,930,444. Certain of our customers have requested that we provide indemnification. Claim construction obviated the plaintiff's assertions against ARRIS products. A Petition for Inter Partes Review of the asserted patent has been instituted against the patent, and all instituted claims have been ruled to be invalid. The patent owner is appealing that ruling. The complaint requests unspecified damages for infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

Intellectual Ventures I and II v. AT&T, CenturyLink, C.A. 12-cv-00193, 13-cv-01631, etc. District of Delaware. On February 16, 2012, Intellectual Ventures filed a claim against AT&T alleging infringement of several US patents. Certain of our customers have requested that we provide indemnification. The complaint requests damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify AT&T and/or pay damages for utilizing certain technology.

MediaTube et al v. Bell Canada et al, C.A. T-705-13, Canadian Federal Court. On April 23, 2013, MediaTube Corp. filed a claim against Bell Canada entities alleging infringement of a Canadian patent. The complaint requests damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify Bell Canada and/or pay damages for utilizing certain technology.

Mobile Telecommunications Technologies (M-Tel) v. MSOs, C.A. 16-cv-00007, 16-cv-0013, etc., Eastern District of Texas. On January 4, 2016, M-Tel filed suit against several MSOs alleging infringement of three expired U.S. patents alleged to cover various Wi-Fi functionality. Certain of our customers have requested that we provide indemnification. The M-Tel complaint requests unspecified damages for past infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify one or more MSOs and/or pay damages for utilizing certain technology.

ARRIS v. M-Tel, C.A. 16-cv-00259, District of Delaware. On April 13, 2016, ARRIS filed suit against M-Tel requesting an advisory ruling on three expired U.S. patents alleged to cover various Wi-Fi functionality and asserted against our customers (*see above*). It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

Rovi et al. v. Comcast et al., C.A. 2:16-cv-00321, 2:16-cv-00322, Eastern District of Texas; 337-TA-3135, International Trade Commission. On April 1, 2016, Rovi filed suit against Comcast and several equipment vendors (including ARRIS and Pace) alleging infringement of 15 U.S. patents alleged to cover various program guide technology. On April 6, 2016, Rovi filed a complaint in the International Trade Commission (ITC) alleging infringement of seven U.S. patents (the same as those asserted in the '322 suit). To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages and/or cease utilizing certain technology in products sold to Comcast.

Sprint Communications v. MSOs, C.A. 11-cv-2686, District of Kansas. On December 19, 2011, Sprint filed suit against several MSOs alleging infringement of several patents alleged to cover various aspects of voice services.

Certain of our customers have requested that we provide indemnification. The complaint requests unspecified damages for past infringement and injunction against future infringement. To date, no evidence of damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology. With respect to any liability attributable to Motorola Home in this matter, a subsidiary of Google has agreed to indemnify ARRIS.

Sony Corp. v. Pace plc et al., C.A. 15-cv-00288, District of Delaware. On April 1, 2015, Sony filed suit against Pace alleging infringement of six U.S. Patents alleged to cover various features of the set top box. The complaint requests unspecified damages for past infringement and injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages and/or cease utilizing certain technology.

TQ Delta v. MSOs, C.A. 15-cv-00611; 15-cv-00615, etc., District of Delaware. On July 17, 2015, TQ Delta filed suit against several MSOs alleging infringement of several U.S. patents. Certain of our customers have requested that we provide indemnification. The complaint requests unspecified damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify the MSOs and/or pay damages for utilizing certain technology.

TQ Delta v. 2Wire Inc., C.A. 13-cv-01835, District of Delaware. On November 4, 2013, TQ Delta filed suit against 2Wire alleging infringement of several U.S. patents. The complaint requests unspecified damages for past infringement and an injunction against future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to pay damages for utilizing certain technology.

Two Way Media v. Bell Canada et al, C.A. T-809-14, Canadian Federal Court. On April 2, 2014, Two Way Media filed a claim against Bell Canada entities alleging infringement of a Canadian patent. Bell Canada has requested that we provide indemnification. The complaint requests damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify Bell Canada and/or pay damages for utilizing certain technology.

United Access Technologies v. AT&T, C.A. 11-cv-00338, District of Delaware. On April 15, 2011, United Access Technologies filed suit against AT&T alleging infringement of three U.S. patents. The complaint requests unspecified damages for past and future infringement. To date, no evidence of infringement or damages has been introduced. It is premature to assess the likelihood of an unfavorable outcome. In the event of an unfavorable outcome, ARRIS may be required to indemnify AT&T and/or pay damages for utilizing certain technology.

In the acquisition agreement entered into in connection with the acquisition of the Motorola Home business, a subsidiary of Google agreed to indemnify, defend and hold harmless ARRIS and various related parties with respect to, among other things, any losses suffered by ARRIS as a result of a court order involving, or the settlement of, certain agreed-upon litigation, including the Sprint lawsuit described above that reference this indemnification obligation. There are various limitations upon this obligation.

From time to time third parties demand that we or our customers enter into a license agreement with respect to patents owned, or allegedly owned, by the third parties. Such demands cause us to dedicate time to study the patents and enter into discussions with the third parties regarding the merits and value, if any, of the patents. These discussions, may materialize into license agreements or patent claims asserted against us or our customers. If asserted against our customers, our customers may request indemnification from us. It is not possible to determine the impact of any such demands and the related discussions on ARRIS's business, results of operations or financial condition.

Item 1A. Risk Factors –

Our business is dependent on customers' capital spending on broadband communication systems, and reductions by customers in capital spending would adversely affect our business.

Our performance is primarily dependent on customers' capital spending for constructing, rebuilding, maintaining or upgrading broadband communications systems. Capital spending in the broadband communications industry is cyclical and can be curtailed or deferred on short notice. A variety of factors affect capital spending, and, therefore, our sales and profits, including:

- demands for network services;
- general economic conditions;
- foreign currency fluctuations;
- competition from other providers of broadband and high-speed services;
- customer specific financial or stock market conditions;
- availability and cost of capital;
- governmental regulation;
- customer acceptance of new services offered; and
- real or perceived trends or uncertainties in these factors.

Several of our customers have accumulated significant levels of debt. These high debt levels, coupled with the volatility in the capital markets, may impact their access to capital in the future. Even if the financial health of our customers' remains intact, these customers may not purchase new equipment at levels we have seen in the past or expect in the future. We cannot predict the impact, if any, of any softening or downturn in the national or global economy or of specific customer financial challenges on our customer's expansion and maintenance expenditures.

We may not realize all of the anticipated benefits of the recently completed Pace acquisition or those benefits may take longer to realize than expected. We may also encounter significant unexpected difficulties in integrating the two businesses.

Our ability to realize all of the anticipated benefits of the recently completed Pace acquisition will depend on our ability to integrate the Pace businesses with our historic operations. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating the business practices and operations of ARRIS and Pace. The integration process may disrupt the businesses and, if implemented ineffectively, could preclude realization of the full benefits expected. Our failure to meet the challenges involved in integrating the two businesses to realize the anticipated benefits of the transaction could cause an interruption of, or a loss of momentum in, the activities of the business and could adversely affect our results of operations.

In addition, the overall integration of the Pace business may result in material unanticipated problems, expenses, liabilities, competitive responses, and loss of customer relationships. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects expected from the transaction;
- difficulties in the integration of operations and systems; and
- difficulties in managing the expanded operations of a larger and more complex company.

Many of these factors are outside of our control and any of them could result in increased costs, and decreases in the amount of expected revenues, which could materially impact our business, financial condition and results of operations. In addition, even if the operations of the Pace are integrated successfully, we may not realize the full benefits of the combination, including the potential synergies, cost savings or sales or growth opportunities. These benefits may not be achieved within the anticipated time frame, or at all, or additional unanticipated costs may be incurred in the integration. All of these factors could cause dilution to our earnings per share, decrease or delay the expected accretive effects of the transaction, or negatively impact the trading price of our ordinary shares. As a result, we cannot provide assurance that the Combination will result in the realization of the full benefits anticipated from the transaction.

Our effective tax rate, which generally is expected to decrease as a result of the transaction, is also subject to a variety of other factors, many of which are beyond our ability to control, such as changes in the rate of economic growth in jurisdictions in which the combined business operates, the financial performance of the combined business in various jurisdictions, currency exchange rate fluctuations, and significant changes in trade, monetary or fiscal policies, including changes in interest rates, and changes in U.S. tax laws, UK tax laws and the tax laws of the other jurisdictions in which we do business. The impact of these factors, individually and in the aggregate, is difficult to predict, in part because the occurrence of the events or circumstances described in such factors may be interrelated, and the impact to the combined company of the occurrence of any one of these events or circumstances could be compounded or, alternatively, reduced, offset, or more than offset, by the occurrence of one or more of the other events or circumstances described in such factors.

The market in which we operate is intensely competitive, and competitive pressures may adversely affect our results of operations.

The markets in which we participate are dynamic, highly competitive and require companies to react quickly and capitalize on change. We must retain skilled and experienced personnel, as well as deploy substantial resources to meet the changing demands of the industry and must be nimble to be able to capitalize on change. We compete with international, national and regional manufacturers, distributors and wholesalers including some companies that are larger than we are.

In some instances, our customers themselves may be our competition. Some of our customers may develop their own software requiring support within our products and/or may design and develop products of their own which are produced to their own specifications directly by a contract manufacturer. The rapid technological changes occurring in broadcast and broadband communications industry may lead to the entry of new competitors, including those with substantially greater resources than our own. Because the market in which we compete is characterized by rapid growth and, in some cases, low barriers to entry, smaller companies and start-up ventures also may become principal competitors in the future. Actions by existing competitors and the entry of new competitors may have an adverse effect on our sales and profitability. In the future, technological advances could lead to the obsolescence of some of our current products, which could have a material adverse effect on our business.

Further, several of our larger competitors may be in a better position to withstand any significant, sustained reduction in capital spending by customers. They often have broader product lines and segment focus and therefore are not as susceptible to downturns in a particular market. In addition, several of our competitors have been in operation longer than we have, and therefore have more established relationships with customers.

Consolidations in the broadcast and broadband communication systems industry could have a material adverse effect on our business.

The broadcast and broadband communication systems industry has historically experienced, and continues to experience, the consolidation of many industry participants. For example, Charter Communications, Inc. has announced its intention to acquire Time Warner Cable, AT&T recently completed its acquisition of DIRECTV, Verizon Communications Inc. sold certain wireline businesses to Frontier Communications Corp., and Altice recently completed its acquisition of Suddenlink and has announced its intention to acquire Cablevision. When consolidations occur, it is possible that the acquirer will not continue using the same suppliers, possibly resulting in an immediate or future elimination of sales opportunities for us. Even if sales are not reduced, consolidations also could result in delays in purchasing decisions by the affected companies prior to completion of the transaction. Further, even if we believe we will receive additional sales from a customer following a transaction as a result of typical network upgrades that following combinations or otherwise, no assurance can be provided that such anticipated sales will be realized. In addition, consolidations can also result in increased pressure from customers for lower prices or better terms, reflecting the increase in the total volume of products purchased or the elimination of a price differential between the acquiring customer and the company acquired. Any of these results could have a material adverse effect on our business.

Proposed FCC regulations for the broadband communications industry could significantly impact our operations.

The Federal Communications Commission (the "FCC") has adopted new "net neutrality" regulations that, among other things, subject Internet service providers to common carriage regulation under Title II of the Communications Act. These regulations have been challenged in federal court. In addition, the FCC recently proposed new rules designed to impose new technology mandates on multichannel video programming distributors ("MVPDs") that would include many of our customers aimed at enabling retail video devices to access MVPD services without the need for an operator-supplied set-top box. If implemented, such mandates could result in our customers reducing their investment in their networks and in the development and deployment of new set-top boxes. A significant reduction in their capital expenditures as a result of any such regulations could adversely affect our business, operating results, and financial condition.

We have significant indebtedness, which could limit our operations and opportunities, make it more difficult for us to pay or refinance our debts and/or may cause us to issue additional equity in the future, which would increase the dilution of our stockholders or reduce earnings.

As of March 31, 2016, we had approximately $2,367.5 million in total indebtedness, which includes approximately $800.0 million in additional indebtedness that we incurred to fund the Pace acquisition in January 2016. As of March 31, 2016, we had $498.0 million available under our revolving line of credit to support our working capital needs. Our debt service obligations with respect to this indebtedness could have an adverse impact on our earnings and cash flows for as long as the indebtedness is outstanding.

This significant indebtedness could also have important consequences to stockholders. For example, it could:

- make it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because any decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled debt payments;
- limit our flexibility to pursue other strategic opportunities or react to changes in our business and the industry in which we operate and, consequently, place us at a competitive disadvantage to competitors with less debt;
- require a substantial portion of our cash flows from operations to be used for debt service payments, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes; and
- result in higher interest expense in the event of increases in interest rates since the majority of our debt is subject to variable rates.

Based upon current levels of operations, we expect to be able to generate sufficient cash on a consolidated basis to make all of the principal and interest payments when such payments are due under our senior secured credit facilities; but there can be no assurance that we will be able to repay or refinance such borrowings and obligations.

We may consider it appropriate to reduce the amount of indebtedness currently outstanding. This may be accomplished in several ways, including issuing additional ordinary shares or securities convertible into ordinary shares, reducing discretionary uses of cash or a combination of these and other measures. Issuances of additional ordinary shares or securities convertible into ordinary shares would have the effect of diluting the ownership percentage that stockholders will hold in the company and may reduce our reported earnings per share.

We face risks relating to currency fluctuations and currency exchange.

On an ongoing basis we are exposed to various changes in foreign currency rates because certain sales are denominated in foreign currencies. Additionally, certain intercompany transactions are denominated in foreign currencies and subject to revaluation. These changes can impact our results of operations, cash flows and financial position. We manage these risks through regular operating and financing activities and periodically use derivative financial instruments such as foreign exchange forward and option contracts. There can be no assurance that our risk management strategies will be effective. In addition, many of our international customers make purchases from us that are denominated in U.S dollars. As we have seen the U.S. dollar strengthen, it has impacted these customers' ability to purchase products. Further strengthening could have a material impact on our sales in the affected countries.

We also may encounter difficulties in converting our earnings from international operations to U.S. dollars for use in the United States. These obstacles may include problems moving funds out of the countries in which the funds were earned and difficulties in collecting accounts receivable in foreign countries where the usual accounts receivable payment cycle is longer.

We may have difficulty in forecasting our sales and may experience volatility in revenues.

Because a significant portion of our customer's purchases are discretionary, accurately forecasting our sales is difficult. In addition, our customers in recent years have submitted their purchase orders less evenly over the course of each quarter and year, and with shorter lead times than they have historically. The combination of our dependence on relatively few key customers and the award by those customers of irregular but sizeable contracts, together with the size of our operations, make it difficult to forecast sales and can result in revenue volatility, which could further result in maintaining inventory levels that are too high or too low for our ultimate needs and could have a negative impact on our business.

The IRS may not agree that we are a foreign corporation for U.S. federal income tax purposes.

Although, following the Pace transaction, we are incorporated under the laws of England and Wales and are a tax resident in the United Kingdom for UK tax purposes, the IRS may assert that we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes. For U.S. federal income tax purposes, a corporation generally is considered to be a tax resident in the jurisdiction of its organization or incorporation. Because we are incorporated under the laws of England and Wales, we generally would be classified as a non-U.S. corporation (and, therefore, a non-U.S. tax resident) under these rules. Section 7874 of the Internal Revenue Code of 1986, as amended (the "Code") however, provides an exception to this general rule under which a foreign incorporated entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes.

Generally, for us to be treated as a non-U.S. corporation for U.S. federal income tax purposes under Section 7874, the former stockholders of ARRIS Group must own (within the meaning of Section 7874) less than 80% (by both vote and value) of all of the outstanding shares of ARRIS (the "Ownership Test"). Based on the terms of the Pace transaction, we believe historic ARRIS stockholders do own less than 80% of all of the outstanding shares in ARRIS and, thus, the Ownership Test has been satisfied. However, ownership for purposes of Section 7874 is subject to various adjustments under the Code and the Treasury Regulations promulgated thereunder, and there is limited guidance regarding the Section 7874 provisions, including regarding the application of the Ownership Test. Thus, there can be no assurance that the IRS will agree with the position that the Ownership Test was satisfied following the Pace transaction and/or would not successfully challenge the status of ARRIS as a non-U.S. corporation for U.S. federal income tax purposes.

If we were to be treated as a U.S. corporation for U.S. federal income tax purposes, we could be subject to substantial additional U.S. taxes. For UK tax purposes, we are expected, regardless of any application of Section 7874, to be treated as a UK tax resident. Consequently, if we are treated as a U.S. corporation for U.S. federal income tax purposes under Section 7874, we could be liable for both U.S. and UK taxes, which could have a material adverse effect on our financial condition and results of operations.

Our status as a foreign corporation for U.S. tax purposes could be affected by a change in law.

Under current law, we expect to be treated as a non-U.S. corporation for U.S. federal income tax purposes. However, changes to Section 7874 or the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect our status as a non-U.S. corporation for U.S. federal income tax purposes, our effective tax rate and/or future tax planning, and any such changes could have prospective or retroactive application to us and our stockholders.

Recent legislative proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. For example, proposals introduced by certain members of both houses of the U.S. Congress that, if enacted in their present form, would be effective retroactively to any transactions completed after May 8, 2014 would, among other things, treat a foreign acquiring corporation as a U.S. corporation under Section 7874 if the former stockholders of the U.S. corporation own more than 50% (by vote or value) of the shares of the foreign acquiring corporation after the transaction. These proposals, if enacted in their present form and if made retroactively effective, would cause us to be treated as a U.S. corporation for U.S. federal income tax purposes. It is presently uncertain whether any such legislative proposals or any other legislation relating to Section 7874 or so-called inversion transactions will be enacted into law and, if so, what impact such legislation would have on us.

On April 4, 2016, the U.S. Treasury issued temporary Regulations under Section 7874 and other sections of the Code, which among other things, make it more difficult for the Ownership Test to be satisfied and would limit or eliminate certain tax benefits to so-called inverted corporations, including with respect to access to certain foreign earnings and/or the ability to restructure the non-U.S. members of the group and limit U.S. tax deductions for interest on certain intercompany debt obligations. These temporary Regulations generally apply to transactions occurring on or after April 4, 2016. Accordingly, as the Combination occurred prior to that date, we do not expect these temporary Regulations to adversely affect the tax status of ARRIS. We continue to monitor this situation, we will review any comments on these proposed Regulations that are made public, we will review the final Regulations when issued, and we will review any additional guidance issued by the U.S. Treasury and the IRS. Any such future guidance could have a material adverse impact on our financial position and results of operations.

Section 7874 of the Code may limit our ability to utilize certain U.S. tax attributes.

Following the acquisition of a U.S. corporation by a non-U.S. corporation, Section 7874 of the Code can limit the ability of the acquired U.S. corporation and its U.S. affiliates to utilize certain U.S. tax attributes (including net operating losses and certain tax credits) to offset, during the ten-year period following the acquisition, their U.S. taxable income, or related income tax liability, resulting from certain (a) transfers to related foreign persons of stock or other properties of the acquired U.S. corporation and its U.S. affiliates and (b) income received or accrued from related foreign persons during such period by reason of a license of any property by the acquired U.S. corporation and its U.S. affiliates (collectively, "inversion gain"). Based on the limited guidance available and as a result of the Pace transaction, we believe that this limitation under Section 7874 will apply and, as a result, we do not currently expect that the Company or its U.S. affiliates will be able to utilize certain U.S. tax attributes to reduce the amount of any inversion gain and/or to offset applicable U.S. federal income tax liability attributable to any inversion, but may continue to be used to reduce our taxable income from ordinary operations.

Future changes to, and interpretations of, U.S. and non-U.S. tax laws could adversely affect ARRIS.

The U.S. Congress, the Organization for Economic Co-operation and Development and other government agencies in jurisdictions where ARRIS and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of "base erosion and profit shifting," including situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. Another example involves "illegal state aid" as determined by the EU Competition Commission, which would require EU member states to recover unlawful aid given to multinational enterprises in the form of favorable transfer pricing treatment. As a result, the tax laws, and the interpretation thereof, in the United States, the United Kingdom and other countries in which ARRIS and its affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect ARRIS and its affiliates.

Proposed changes to U.S. Model Income Tax Treaty could adversely affect ARRIS.

On May 20, 2015, the U.S. Treasury released proposed revisions to the U.S. model income tax convention (the "Model"), the baseline text used by the U.S. Treasury to negotiate tax treaties. The proposed revisions address certain aspects of the Model by modifying existing provisions and introducing entirely new provisions. Specifically, the proposed revisions target (1) exempt permanent establishments, (2) special tax regimes, (3) expatriated entities, (4) the anti-treaty shopping measures of the limitation on benefits article, and (5) subsequent changes in treaty partners' tax laws.

With respect to the proposed changes to the Model pertaining to expatriated entities, because it is expected that the Combination will otherwise be subject to Section 7874, if applicable treaties were subsequently amended to adopt such proposed changes, payments of interest, dividends, royalties and certain other items of income by ARRIS Holdings or its U.S. affiliates to non-U.S. persons would become subject to full U.S. withholding tax at a 30% rate. This could result in material U.S. taxes being paid by recipients of payments from ARRIS Holdings and its U.S. affiliates. Additionally, revisions to the Model may influence the international community's discussion of approaches to treaty abuse and harmful tax practices with respect to the Organization for Economic Cooperation and Development's ongoing work regarding base erosion and profit shifting. We are unable to predict the likelihood that the proposed revisions to the Model become a part of the Model or any U.S. income tax treaty. However, any revisions to a U.S. income tax treaty, including the proposed revisions described in this paragraph, could adversely affect ARRIS and its affiliates.

The broadcast and broadband communications system industry on which our business is focused is significantly impacted by technological change.

The broadcast and broadband communication systems industry has gone through dramatic technological change resulting in service providers rapidly migrating their business from a one-way television service to a two-way communications network enabling multiple services, such as residential and business high-speed Internet access, residential and business telephony services, digital television, video on demand and advertising services. New services, such as home security, power monitoring and control, 3-D and 4K (UHD) television that are or may be offered by service providers, are also based on, and will be characterized by, rapidly evolving technology. The development of increasing transmission speed, density and bandwidth for Internet traffic has also enabled the provision of high quality, feature length video over the Internet. This over-the-top IP video service enables content providers such as Netflix and Hulu, programmers such as HBO and ESPN and portals like Google to provide video services on-demand, by-passing traditional video service providers. The FCC has proposed new regulations to facilitate the ability of over-the-top services to compete against traditional multichannel video programming providers. As these service providers enhance their quality and scalability, traditional providers are introducing similar services over their existing networks, as well as over-the-top IP video for delivery not only to televisions but to computers, tablets, and telephones in order to remain competitive. Our business is dependent on our ability to develop products that enable current and new customers to exploit these rapid technological changes. We believe the continued growth of over-the-top IP video represents a shift from the traditional video delivery paradigm. To the extent that we are unable to adapt our technologies to serve this emerging demand, including obtaining necessary certifications from content providers and programmers to include their over-the-top video applications as part of our product offerings, our business may be adversely affected.

The continued industry move to open standards may impact our future results.

The broadcast and broadband communication systems industry has and will continue to demand products based on open standards. The move toward open standards, including the FCC's proposed rules, is expected to increase both the number of service providers that will offer services to the market. This trend is also expected to increase the number of competitors who are able to supply products to service providers and drive down the capital costs per subscriber deployed. These factors may adversely impact both our future revenues and margins. In addition, many of our customers participate in "technology pools" and increasingly request that we donate a portion of our source code used by the customer to these pools which may impact our ability to recapture the R&D investment made in developing such code.

We believe that we will be increasingly required to work with third party technology providers. As a result, we expect the shift to more open standards may require us to license software and other components indirectly to third parties via various open source licenses. In some circumstances, ARRIS's use of such open source technology may include technology or protocols developed by standards settings bodies, other industry forums or third party companies. The terms of the open source licenses granted by such parties may limit our ability to commercialize products that utilize such technology, which could have a material adverse effect on our results.

We no longer have use of the "Motorola" brand name.

In connection with our acquisition of Motorola Home, we were granted the right, subject to certain conditions, to continue to use the Motorola brand name on certain products. Our right to use the Motorola brand name ended at the end of 2015 and use of the brand name for products similar to products that we sell in the retail channel has been licensed to a competitor of ours. Shelf space in retail outlets can be impacted by how recognizable a brand is by customers. If our rebranding of those products is not successful, or if use of the Motorola brand by a competitor causes confusion amongst customers, our retail sales may decrease. Further, the loss of the use of the "Motorola" brand may result in a lower amount of shelf space, or space in less desirable areas, which may impact our sales.

Our business is concentrated in a few key customers. The loss of any of these customers or a significant reduction in sales to any of these customers would have a material adverse effect on our business.

For the three months ended March 31, 2016, sales to our three largest customers (including their affiliates, as applicable) accounted for approximately 52.0% of our total revenue. While we will have less customer concentration as a result of the Pace acquisition, sales to some customers are expected to significantly increase. The loss of any of our large customers, or a significant reduction in the products or services provided to any of them would have a material adverse impact on our business. For many of these customers, we also are one of their largest suppliers. As a result, if from time-to-time customers elect to purchase products from our competitors in order to diversify their supplier base and to dual-source key products or to curtail purchasing due to budgetary or market conditions, such decisions could have material consequences to our business. In addition, because of the magnitude of our sales to these customers the terms and timing of our sales are heavily negotiated, and even minor changes can have a significant impact upon our business.

We may face higher costs associated with protecting our intellectual property or obtaining necessary access to the intellectual property of others.

Our future success depends in part upon our proprietary technology, product development, technological expertise and distribution channels, in addition to a number of important patents and licenses. We cannot predict whether we can protect our technology or whether competitors will be able to develop similar technology independently and such technology could be subject to challenge, unlawful copying or other unfair competitive practices. Given the dependence on technology within the market in which we complete, there are frequent claims and related litigation regarding patent and other intellectual property rights. We have received, directly or indirectly, and expect to continue to receive, from third parties, including some of our competitors, notices claiming that we, or our customers using our products, have infringed upon third-party patents or other proprietary rights. We are involved in several proceedings (and other proceedings have been threatened) in which our customers were sued for patent infringement. (See Part II, Item 1, "Legal Proceedings") In these cases our customers have made claims against us and other suppliers for indemnification. We may become involved in similar litigation involving these and other customers in the future. These claims, regardless of their merit, could result in costly litigation, divert the time, attention and resources of our management, delay our product shipments, and, in some cases, require us to enter into royalty or licensing agreements. If a claim of patent infringement against us or our customer is successful and we fail to obtain a license or develop non-infringing technology, we or our customer may be prohibited from marketing or selling products containing the infringing technology which could materially affect our business and operating results. In addition, the payment of any damages or any necessary licensing fees or indemnification costs associated with a patent infringement claim could be material and could also materially adversely affect our operating results.

We have substantial goodwill and amortizable intangible assets.

Our financial statements reflect substantial goodwill and intangible assets, approximately $2,068.3 million and $2,036.8 million, respectively, as of March 31, 2016, that was recognized in connection with prior acquisitions and we expect to record significant additional goodwill and intangible assets as a result of the Pace acquisition.

We annually (and more frequently if changes in circumstances indicate that the asset may be impaired) review the carrying amount of our goodwill in order to determine whether it has been impaired for accounting purposes. In general, if the fair value of the corresponding reporting unit is less that the carrying amount of the reporting unit, we record an impairment. The determination of fair value is dependent upon a number of factors, including assumptions about future cash flows and growth rates that are based on our current and long-term business plans. With respect to the amortizable intangible assets, we test recoverability when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Examples of such circumstances include, but are not limited to, operating or cash flow losses from the use of such assets or changes in our intended uses of such assets. If we determine that an asset or asset group is not recoverable, then we would record an impairment charge if the carrying amount of the asset or asset group exceeds its fair value. Fair value is based on estimated discounted future cash flows expected to be generated by the asset or asset group. The assumptions underlying cash flow projections would represent management's best estimates at the time of the impairment review.

While no goodwill or intangible asset impairments were recorded in 2015, as the ongoing expected cash flows and carrying amounts of our remaining goodwill and intangible assets are assessed, changes in the economic conditions, changes to our business strategy, changes in operating performance or other indicators of impairment could cause us to realize impairment charges in the future, including as a result of restructuring undertaken in connection with the integration of the former Pace operations during 2016. For example, we continue to evaluate the anticipated discounted cash flows from the Cloud software portion of our Network & Cloud segment. If current long-term projections for this unit are not realized or materially decrease, we may be required to write off all or a portion of the $81 million of goodwill and $58 million of associated intangible assets. For additional information, see the discussion under "Critical Accounting Policies" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2015.

Pace was not subject to the internal controls and other compliance obligations of the U.S. securities laws, and we may not be able to timely and effectively implement controls and procedures over Pace operations as required under the U.S. securities laws.

Pace was not subject to the information and reporting requirements of the Exchange Act, and other U.S. federal securities laws, including the compliance obligations relating to, among other things, the maintenance of a system of internal controls as contemplated by the Exchange Act. We will need to timely and effectively implement the internal controls necessary to satisfy those requirements, which require an annual management assessment of the effectiveness of internal control over financial reporting. We intend to take appropriate measures to establish or implement an internal control environment at Pace aimed at successfully fulfilling these requirements. However, it is possible that we may experience delays in implementing or be unable to implement the required internal financial reporting controls and procedures, which could result in enforcement actions, the assessment of penalties and civil suits, failure to meet reporting obligations and other material and adverse events that could have a negative effect on the market price for our ordinary shares.

The Pace acquisition may not be accretive to our earnings and may cause dilution to our earnings per share, which may negatively affect the market price of our stock.

We currently anticipate that the Pace acquisition will be accretive to our non-GAAP earnings per share in 2016 and thereafter. This expectation is based on preliminary estimates that may materially change. We may encounter additional integration-related costs, may fail to realize all of the benefits anticipated in the acquisition or be subject to other factors that adversely affect preliminary estimates. Any of these factors could cause delay or significantly reduce the expected accretive effect of the acquisition and contribute to a decrease in the trading price of our stock.

Products currently under development may fail to realize anticipated benefits.

Rapidly changing technologies, evolving industry standards, frequent new product introductions and relatively short product life cycles characterize the markets for our products. The technology applications that we currently are developing are subject to technological, supply chain, product development and other related risks that could delay successful delivery. The market in which we operate is subject to a rapid rate of technological change, reflected in increased development and manufacturing complexity and increasingly demanding customer requirements, all of which can result in unforeseen delivery problems. Even if the products in development are successfully brought to market, they may be late, may not be widely used or we may not be able to capitalize successfully on the developed technology. To compete successfully, we must quickly design, develop, manufacture and sell new or enhanced products that provide increasingly higher levels of performance and reliability. However, we may not be able to develop or introduce these products successfully if such products:

- are not cost-effective;
- are not brought to market in a timely manner;
- fail to achieve market acceptance; or
- fail to meet industry certification standards.

Furthermore, our competitors may develop similar or alternative technologies that, if successful, could have a material adverse effect on us. Our strategic alliances are generally based on business relationships that have not been the subject of written agreements expressly providing for the alliance to continue for a significant period of time and the loss of any such strategic relationship could have a material adverse effect on our business and results of operations.

Defects within our products could have a material impact on our results.

Many of our products are complex technology that include both hardware and software components. It is not unusual for software, especially in earlier versions, to contain bugs that can unexpectedly interfere with expected operations. While we employ rigorous testing prior to the shipment of our products, defects, including those resulting from components we purchase, may still occur from time to time. Product defects, including hardware failures, could impact our reputation with our customers which may result in fewer sales. In addition, depending on the number of products affected, the cost of fixing or replacing such products could have a material impact on our operating results. In some cases, we are dependent on a sole supplier for components used in our products. Defects in sole-sourced components subject us to additional risk of being able to quickly address any product issues or failures experienced by our customers as a result of the component defect and could delay our ability to deliver new products until the defective components are corrected or a new supplier is identified and qualified. This could increase our costs in resolving the product issue, result in decreased sales of the impacted product, or damage our reputation with customers, any of which could have the effect of negatively impacting our operating results.

Hardware or software defects could also permit unauthorized users to gain access to our customers' networks and/or a consumer's home network. In addition to potentially damaging our reputation with customers, such defects may also subject us to claims for damages under agreements with our customers and subject us to fines by regulatory authorities.

We offer warranties of various lengths to our customers on many of our products and have established warranty reserves based on, among other things, our historic experience, failure rates and cost to repair. In the event of a significant non-recurring product failure, the amount of the warranty reserve may not be sufficient. From time to time we may also make repairs on defects that occur outside of the provided warranty period. Such costs would not be covered by the established reserves and, depending on the volume of any such repairs, may have a material adverse effect on our results from operations or financial condition.

Our success depends on our ability to attract and retain qualified personnel in all facets of our operations.

Competition for qualified personnel is intense, and we may not be successful in attracting and retaining key personnel, which could impact our ability to maintain and grow our operations. Our future success will depend, to a significant extent, on the ability of our management to operate effectively. In the past, competitors and others have attempted to recruit our employees and their attempts may continue. The loss of services of any key personnel, the inability to attract and retain qualified personnel in the future or delays in hiring required personnel, particularly engineers and other technical professionals, could negatively affect our business.

We are dependent on a limited number of suppliers and inability to obtain adequate and timely delivery of supplies could have a material adverse effect on our business.

Many components, subassemblies and modules necessary for the manufacture or integration of our products are obtained from a sole supplier or a limited group of suppliers. Likewise, we have only a limited number of potential suppliers for certain materials and hardware used in our products and a number of our agreements with suppliers are short-term in nature. Our reliance on sole or limited suppliers, particularly foreign suppliers, and our reliance on subcontractors involves several risks including a potential inability to obtain an adequate supply of required components, subassemblies, modules and other materials and reduced control over pricing, quality and timely delivery of components, subassemblies, modules and other products. An inability to obtain adequate deliveries or any other circumstance that would require us to seek alternative sources of supply could affect our ability to ship products on a timely basis which could damage relationships with current and prospective customers and potentially have a material adverse effect on our business. Our ability to ship products could also be impacted by country laws and/or union labor disruptions. Disputes of this nature may have a material impact on our financial results.

We are subject to the economic, political and social instability risks associated with doing business in certain foreign countries.

For the three months ended March 31, 2016, approximately 24% of our sales were made outside of the United States. In addition, a significant portion of our products are manufactured or assembled in China, Mexico and Taiwan. As a result, we are exposed to risk of international operations, including:

- fluctuations in currency exchange rates;

- inflexible employee contracts or labor laws in the event of business downturns;
- compliance with United States and foreign laws concerning trade and employment practices;
- the challenges inherent in consistently maintaining compliance with the Foreign Corrupt Practice Act;
- the imposition of government controls;
- difficulties in obtaining or complying with export license requirements;
- labor unrest, including strikes, and difficulties in staffing;
- security concerns;
- economic boycott for doing business in certain countries;
- coordinating communications among and managing international operations;
- currency controls;
- changes in tax and trade laws that increase our local costs;
- exposure to heightened corruption risks; and
- reduced protection for intellectual property rights.

Political instability and military and terrorist activities may have significant impacts on our customers' spending in these regions and can further enhance many of the risks identified above. Any of these risks could impact our sales, interfere with the operation of our facilities and result in reduced production, increased costs, or both, which could have an adverse effect on our financial results.

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

We utilize distributors, value-added resellers, system integrators, and manufacturers' representatives to sell our products to certain customers and in certain geographic regions to improve our access to these customers and regions and to lower our overall cost of sales and post-sales support. Our sales through channel partners are subject to a number of risks, including:

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

The import of our products is subject to trade regulations.

The import of our products into the United States and certain other countries is subject to the trade regulations in the countries where they are imported. Products may be subject to customs' duties that we pay to the applicable government agency and then collect from our customers in connection with the sale of the imported products. The amount of the customs duty owed, if any, is based on classification of the products within the applicable customs regulations. While we believe that our products have been properly classified, the U.S. Customs Agency or other applicable foreign regulatory agencies, may challenge our classifications and the amount of any duty payable. For example, we currently have a case pending in the U.S. Court of International Trade regarding the challenge by the U.S. Customs Agency with respect to certain digital television adapters that we import into the United States and believe are duty free. If it is ultimately determined that a product has been misclassified for customs purposes, we may be required to pay additional duties for products previously imported and we may not be successful in collecting the increased duty from the customer that purchased the products. In addition, we could be required to pay interest and/or fines to the applicable regulator, which amounts could be significant and negatively impact our results of operations. Further, if we do not comply with the applicable trade regulations, delivery of products to customers may be delayed which could negatively impact our sales and results of operations.

Our stock price has been and may continue to be volatile.

Our ordinary shares currently are traded on The NASDAQ Global Select Market. The trading price of our shares has been and may continue to be subject to large fluctuations. Our stock price may increase or decrease in response to a number of events and factors including:

- future announcements concerning us, key customers or competitors;

- quarterly variations in operating results;
- changes in financial estimates and recommendations by securities analysts;
- developments with respect to technology or litigation;
- the operating and stock price performance of our competitors; and
- acquisitions and financings.

Fluctuations in the stock market, generally, also impact the volatility of our stock price. General stock market movements may adversely affect the price of our ordinary shares, regardless of our operating performance.

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

We receive, process, store and transmit, often electronically, the confidential data of our clients and others. Unauthorized access to our computer systems or stored data could result in the theft or improper disclosure of confidential information, the deletion or modification of records or could cause interruptions in our operations. These cyber-security risks increase when we transmit information from one location to another, including transmissions over the Internet or other electronic networks. Despite implemented security measures, our facilities, systems and procedures, and those of our third-party service providers, may be vulnerable to security breaches, acts of vandalism, software viruses, misplaced or lost data, programming and/or human errors or other similar events which may disrupt our delivery of services or expose the confidential information of our clients and others.

In addition, defects in the hardware or software we develop and sell could also result in unauthorized access to our customers' and/or consumers' networks. Any security breach involving the misappropriation, loss or other unauthorized disclosure or use of confidential information of our customers or others, whether by us or a third party, could (i) subject us to civil and criminal penalties, (ii) have a negative impact on our reputation, or (iii) expose us to liability to our customers, third parties or government authorities. Any of these developments could have a material adverse effect on our business, results of operations and financial condition. We have not experienced any such incidents that have had material consequences to date. We expect the U.S. and other countries to adopt additional cyber-security legislation that, if enacted, could impose additional obligations upon us that may negatively impact our operating results.

New regulations related to conflict minerals may adversely affect us

We are subject to the SEC disclosure obligations relating to our use of so-called "conflict minerals"—columbite-tantalite, cassiterite (tin), wolframite (tungsten) and gold. These minerals are present in substantially all of our products. We are required to file a report with the SEC annually covering our use of these materials and their source.

In preparing these reports, we are dependent upon information supplied by suppliers of products that contain, or potentially contain, conflict minerals. To the extent that the information that we receive from our suppliers is inaccurate or inadequate or our processes in obtaining that information do not fulfill the SEC's requirements, we could face reputational risks. Further, if in the future we are unable to certify that our products are conflict mineral free, we may face challenges with our customers, which could place us at a competitive disadvantage.

We do not intend to pay cash dividends in the foreseeable future.

We do not anticipate paying cash dividends on our ordinary shares in the foreseeable future. In addition, our ability to pay dividends is limited by the terms of our credit facilities. Payment of dividends in the future will depend on, among other things, business conditions, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant.

As a result of shareholder voting requirements in the United Kingdom relative to Delaware, we have less flexibility with respect to certain aspects of capital management than we had as a Delaware corporation.

Prior to the Pace transaction, we were incorporated under Delaware law, which allowed our directors to authorize the issuance, without stockholder approval or any preemptive rights, of any shares authorized by our certificate of incorporation that were not already issued. Under English law, our directors may issue new ordinary shares up to a maximum amount equal to the allotment authority granted to the directors under our articles of association or by an ordinary resolution of our shareholders, subject to a five year limit on such authority. Additionally, subject to specified exceptions, English law grants preemptive rights to existing shareholders to subscribe for new issuances of shares for cash, but allows shareholders to waive these rights by way of a special resolution with respect to any particular allotment of shares or generally, subject to a five-year limit on such waiver. Our articles of association contain, as permitted by English law, a provision authorizing our Board to issue new shares for cash without preemptive rights. The authorization of the directors to issue shares without further shareholder approval and the authorization of the waiver of the statutory preemption rights must both be renewed by the shareholders at least every five years, and we cannot provide any assurance that these authorizations always will be approved, which could limit our ability to issue equity and, thereby, adversely affect the holders of our ordinary shares. While we do not believe that the differences between Delaware law and English law relating to our capital management will have a material adverse effect on us, situations may arise where the flexibility had under Delaware law would have provided benefits to our shareholders that is not be available under English law.

Any attempted takeovers of us will be governed by English law.

As a UK incorporated company, we are subject to English law. An English public limited company is potentially subject to the protections afforded by the Takeover Code if, among other factors, a majority of its directors are resident within the UK, the Channel Islands or the Isle of Man. We do not believe that the Takeover Code applies to us, and, as a result, our articles of association include measures similar to what may be found in the charters of U.S. companies, including the power for our Board to allot shares where in the opinion of the Board it is necessary to do so in the context of an acquisition of 20% or more of the issued voting shares in specified circumstances (this power is subject to renewal by our shareholders at least every five years and will cease to be applicable if the Takeover Code is subsequently deemed by the Takeover Panel to be applicable to ARRIS. Further, it could be more difficult for us to obtain shareholder approval for a merger or negotiated transaction because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under English law than under Delaware law. The provisions of our articles of association and English law may have an anti-takeover impact on us and our ordinary shares.

Transfers of our ordinary shares, other than one effected by means of the transfer of book-entry interests in the Depository Trust Company ("DTC"), may be subject to UK stamp duty.

All of our outstanding shares are currently represented by book-entry interests in DTC. Transfers of our ordinary shares within DTC should not be subject to stamp duty or stamp duty reserve tax ("SDRT") provided no instrument of transfer is entered into and no election that applies to our ordinary shares is made or has been made by DTC or Cede under Section 97A FA 1986. In this regard DTC has confirmed that neither DTC nor Cede (its nominee) has made an election under section 97A of the Finance Act which would affect our shares issued to Cede, as part of the Pace transaction. If such an election is or has been made, transfers of our ordinary shares within DTC generally will be subject to SDRT at the rate of 0.5% of the amount or value of the consideration. Transfers of our ordinary shares held in certificated form generally will be subject to stamp duty at the rate of 0.5% of the consideration given (rounded up to the nearest £5). SDRT will also be chargeable on an agreement to transfer such shares, although such liability would be discharged if stamp duty is duly paid on the instrument of transfer implementing such agreement within a period of six years from the agreement. Subsequent transfer of our ordinary shares to an issuer of depository receipts or into a clearance system (including DTC) may be subject to SDRT at a rate of 1.5% of the consideration given or received or, in certain cases, the value of our ordinary shares transferred. The purchaser or transferee of the ordinary shares generally will be responsible for paying any stamp duty or SDRT payable.

If the UK were to exit from the European Union, our business could suffer a material adverse effect.

The UK recently announced that it will hold a referendum on June 23, 2016 related to its continued membership in the European Union. This referendum could introduce potentially significant new uncertainties and instability in financial and trade markets, both ahead of the date for any such referendum and, depending on the outcome, after the referendum.

Given the lack of precedent, it is unclear how a potential withdrawal of the UK from the European Union would affect the UK's access to the EU Single Market and other important financial and trade relationships and how it would affect us. A withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the UK and the European Union, undermine bilateral cooperation in key policy areas and significantly disrupt trade between the UK and the European Union. Under current European Union rules, following a withdrawal the UK would not be able to negotiate bilateral trade agreements with member countries of the European Union. In addition, a withdrawal of the UK from the European Union could significantly affect the fiscal, monetary and regulatory landscape within the UK and could have a material impact on its economy and the future growth of its various industries, including the broadcast and broadband communication systems industry in which we operate. Although it is not possible to predict fully the effects of a withdrawal of the UK from the European Union, if it were to occur it could have a material adverse effect on our business and our results of operations.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth information regarding the purchases of our equity securities made by us during the three months ended March 31, 2016:

	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
January 2016	29,119	$ 25.85	–	$ 300,000
February 2016	2,369,945	$ 23.01	2,369,945	$ 245,465
March 2016	4,599,690	$ 23.64	4,021,594	$ 149,997

(1) Includes approximately 607,215 shares subject to equity awards that were cancelled for cash to satisfy tax withholding obligations that arose on the vesting of restricted stock units.

In early 2016, our Board of Directors approved a new $300.0 million share repurchase authorization replacing all prior programs. Unless terminated earlier by a Board resolution, this new plan will expire when ARRIS has used all authorized funds for repurchase.

Item 6. EXHIBITS

Exhibit No.	*Description of Exhibit*
31.1	Section 302 Certification of Chief Executive Officer, filed herewith
31.2	Section 302 Certification of Chief Financial Officer, filed herewith
32.1	Section 906 Certification of Chief Executive Officer, filed herewith
32.2	Section 906 Certification of Chief Financial Officer, filed herewith
101.INS	XBRL Instant Document, filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document, filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document, filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document, filed herewith
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document, filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document, filed herewith

SIGNATURES

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

ARRIS INTERNATIONAL PLC

/s/ David B. Potts

David B. Potts
Executive Vice President, Chief Financial Officer
and Chief Accounting Officer

Dated: May 10, 2016

Exhibit 31.1

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, Robert J. Stanzione, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ARRIS International plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for internal purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2016

/s/ RJ Stanzione
Robert J. Stanzione
Chief Executive Officer, Chairman

Exhibit 31.2

Certification Pursuant to § 302 of the Sarbanes-Oxley Act of 2002

I, David B. Potts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ARRIS International plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for internal purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2016

/s/ David B. Potts

David B. Potts
Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Exhibit 32.1

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

The undersigned, as the chief executive officer of ARRIS International plc, certifies that to the best of his knowledge the Quarterly Report on Form 10-Q for the period ended March 31, 2016, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of ARRIS International plc at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose.

Dated this 10th day of May, 2016

/s/ RJ Stanzione
Robert J. Stanzione
Chief Executive Officer, Chairman

Exhibit 32.2

Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350)

The undersigned, as the chief financial officer of ARRIS International plc, certifies that to the best of his knowledge the Quarterly Report on Form 10-Q for the period ended March 31, 2016, which accompanies this certification fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and the information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of ARRIS International plc at the dates and for the periods indicated. The foregoing certification is made pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350) and shall not be relied upon for any other purpose.

Dated this 10th day of May, 2016

/s/ David B. Potts
David B. Potts
Executive Vice President, Chief Financial Officer
and Chief Accounting Officer