

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

**Current Report
Dated March 11, 2003**

of

ARRIS GROUP, INC.

A Delaware Corporation
IRS Employer Identification No. 58-2588724
SEC File Number 001-16631

**11450 Technology Circle
Duluth, Georgia 30097
(678) 473-2000**

Item 5. Other Events.

As used in this Current Report, the terms "ARRIS," "we," "our" and "us" each refer to ARRIS Group, Inc. and our consolidated subsidiaries, as appropriate in the context.

On March 11, 2003, we issued a press release announcing an offering of convertible subordinated notes due 2008 in a transaction exempt from the registration requirements of the Securities Act. A copy of the press release is attached as Exhibit 99.1 to this Current Report.

On March 11, 2003, we amended our credit facility. Previously, our credit facility was modified on several occasions during 2002 to allow us to use existing cash reserves and proceeds of asset sales to purchase or redeem our outstanding 4 1/2% convertible subordinated notes. These modifications imposed certain conditions on the use of such cash to purchase or redeem additional 4 1/2% convertible subordinated notes. On March 11, 2003, we amended the credit facility to permit us to issue up to \$125,000,000 of subordinated convertible notes due 2008 and to use the proceeds of such notes to redeem the Class B membership interest in Arris Interactive held by Nortel Networks and to purchase shares of the our common stock held by Nortel Networks, subject to certain limitations. The amendment also reduced the revolving loan commitments to \$115.0 million. A copy of the amendment to our credit facility is attached as Exhibit 10.1 to this Current Report.

Also on March 11, 2003, in connection with a proposed offering of convertible subordinated notes, we modified the terms of various agreements with Nortel Networks Inc.

In connection with our acquisition of Arris Interactive in 2001, Nortel Networks received a subordinated redeemable Class B membership interest in Arris Interactive with a face amount of \$100.0 million. The Class B membership interest earns an accreting non-cash return of 10% per annum, compounded annually, and was redeemable in approximately four quarterly installments commencing February 3, 2002, provided that certain availability and other tests were met under our credit agreement. Those tests were not met in 2002; therefore, no payments were due. The balance of the Class B membership interest was \$114.5 million as of December 31, 2002.

On June 7, 2002, Nortel Networks granted us an option to repurchase its Class B membership interest at a 21% discount to what otherwise would have been the redemption price. Nortel Networks now has agreed to waive approximately \$5.9 million of the Class B return to which it otherwise would be entitled as an inducement to us to redeem the interest before the March 31, 2003 expiration date for the discount. Assuming that the Class B interest is redeemed on or before March 31, 2003, we expect that we will be able to redeem the \$117.3 million obligation for \$86.7 million. In addition, Nortel Networks has granted us an option to purchase up to 16 million shares of ARRIS common stock from Nortel Networks at a discount to the prevailing market price at the time of the purchase, subject to various limitations and conditions. This option expires on June 30, 2003. A copy of the letter agreement covering the terms of the option is attached as Exhibit 10.2 to this Current Report. Lastly, in connection with the foregoing agreements, we resolved various minor disagreements with Nortel Networks arising from our commercial relationships. A copy of the settlement and release agreement relating to these matters is attached as Exhibit 10.3 to this Current Report.

In connection with the offering of our convertible subordinated notes due 2008, Nortel

Networks also entered into a Master Securities Loan Agreement with CIBC World Markets Corp. pursuant to which CIBC may borrow up to 6 million shares of ARRIS common stock. To facilitate such transactions the terms of both the Registration Rights Agreement between Nortel Networks and us and the Lock-up Agreement between Nortel Networks and Liberty Media were modified. A copy of the letter agreement relating to modifications to the Registration Rights Agreement is attached as Exhibit 10.4 to this Current Report.

On February 4, 2003, we issued a press release announcing our financial results for the fourth quarter and year ended December 31, 2002. A copy of the press release is attached as Exhibit 99.2 to this Current Report.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(c) Exhibits

- 10.1 Eighth Amendment to Credit Agreement, dated March 11, 2003.
- 10.2 Letter Agreement between Arris Group, Inc., Arris Interactive L.L.C. and Nortel Networks Inc., dated March 11, 2003.
- 10.3 Settlement and Release Agreement between Arris Interactive L.L.C. and Nortel Networks, dated as of March 11, 2003
- 10.4 Letter Agreement between Arris Group, Inc. and Nortel Networks Inc., dated March 11, 2003.
- 99.1 Press Release issued March 11, 2003.
- 99.2 Press Release issued February 4, 2003.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Arris Group, Inc.

By: /s/ Lawrence A. Margolis

Lawrence A. Margolis
Executive Vice President

Dated: March 11, 2003

EIGHTH AMENDMENT
TO CREDIT AGREEMENT

This EIGHTH AMENDMENT TO CREDIT AGREEMENT (this "AMENDMENT") is dated as of March 11, 2003 and entered into by and among ARRIS GROUP, INC., a Delaware corporation ("HOLDINGS"), ARRIS INTERNATIONAL, INC., a Delaware corporation (the "COMPANY"), ARRIS INTERACTIVE L.L.C., a Delaware limited liability company ("ARRIS"), EACH OF COMPANY'S SUBSIDIARIES LISTED ON THE SIGNATURE PAGES HEREOF (Company, Arris and each such subsidiary are individually referred to herein as a "BORROWER" and, collectively, on a joint and several basis, as the "BORROWERS"), THE FINANCIAL INSTITUTIONS LISTED ON THE SIGNATURE PAGES HEREOF (each individually referred to herein as a "LENDER" and collectively as "LENDERS"), and THE CIT GROUP/BUSINESS CREDIT, INC., as administrative agent, collateral agent and syndication agent for Lenders (in such capacity, "ADMINISTRATIVE AGENT"), and is made with reference to that certain Credit Agreement dated as of August 3, 2001, as amended by that certain First Amendment to Credit Agreement dated as of January 8, 2002, as supplemented by that certain Acknowledgement dated as of March 21, 2002, as further amended by that certain Second Amendment to Credit Agreement dated as of April 19, 2002, as further amended by that certain Third Amendment to Credit Agreement dated as of April 24, 2002, as further amended by that certain Fourth Amendment to Credit Agreement dated as of May 31, 2002, as further amended by that certain Fifth Amendment dated as of September 30, 2002, as further supplemented by that certain Consent dated as of September 30, 2002, as further amended by that certain Sixth Amendment to Credit Agreement dated as of November 21, 2002 and as further amended by that certain Seventh Amendment to Credit Agreement dated as of January 2, 2003 (as so amended, restated, supplemented or otherwise modified as of the date hereof, the "CREDIT AGREEMENT"), by and among the Borrowers, the financial institutions listed on the signature pages thereof and the Administrative Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

RECITALS

WHEREAS, Borrowers and Lenders desire to amend the Credit Agreement to: (i) permit Holdings to issue convertible subordinated notes in an aggregate principal amount not to exceed \$125,000,000; (ii) permit Holdings and its Subsidiaries to use the Net Securities Proceeds received from the issuance of such convertible subordinated notes to (1) redeem the Arris New Membership Interests from Nortel LLC and (2) under certain circumstances, to redeem shares of Holdings Common Stock issued to and held by Nortel LLC; (iii) reduce the Revolving Loan Commitments to \$115,000,000 by terminating the Revolving Loan Commitment of Comerica Bank; and (iv) make certain other amendments as set forth below;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

1

SECTION 1. AMENDMENTS TO THE CREDIT AGREEMENT

1.1 AMENDMENTS TO SECTION 1: PROVISIONS RELATING TO DEFINED TERMS.

A. Subsection 1.1 of the Credit Agreement is hereby amended by adding thereto the following definitions, which shall be inserted in proper alphabetical order:

"ARRIS INTERCOMPANY NOTE" means the subordinated promissory note issued by the Company to Holdings, so long as (a) the aggregate principal amount of such Indebtedness does not exceed the actual amount required to purchase the Arris New Membership Interests pursuant to the terms of the Arris New Membership Interest Redemption Documents, (b) such Indebtedness has a final maturity no earlier than January 1, 2008, (c) the per annum interest rate applicable to such Indebtedness does

not exceed the per annum interest rate payable on the Holdings Convertible Subordinated Notes and (d) such note is otherwise in the form attached hereto as Exhibit XXI.

"ARRIS NEW MEMBERSHIP INTEREST REDEMPTION DOCUMENTS" means the Nortel Letter Agreement, the Amended and Restated Arris Membership Agreement and the Option Agreement, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

"COMERICA" means Comerica Bank.

"EIGHTH AMENDMENT EFFECTIVE DATE" means the date the Eighth Amendment to this Agreement became effective in accordance with its terms.

"EXCESS NET SECURITIES PROCEEDS" has the meaning assigned to that term in subsection 7.3(xx).

"HOLDINGS COMMON STOCK REDEMPTION DOCUMENTS" means the Nortel Letter Agreement and the Option Agreement, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

"HOLDINGS CONVERTIBLE SUBORDINATED NOTE DOCUMENTS" means the Holdings Convertible Subordinated Notes and the Holdings Convertible Subordinated Note Indenture, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

"HOLDINGS CONVERTIBLE SUBORDINATED NOTE INDENTURE" means the Indenture between Holdings and The Bank of New York, as Trustee, with respect to the Holdings Convertible Subordinated Notes, in the form attached hereto as Exhibit XXII, together with such changes thereto made prior to the issuance of the Holdings Convertible Subordinated Notes as are approved by the Administrative Agent and its counsel, as the same may thereafter be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

"HOLDINGS CONVERTIBLE SUBORDINATED NOTES" means any Indebtedness of Holdings evidenced by convertible subordinated notes in aggregate principal amount

equal to at least \$75,000,000, so long as (a) the aggregate principal amount of such Indebtedness does not exceed \$125,000,000, (b) such Indebtedness has a final maturity no earlier than January 1, 2008, (c) the interest rate applicable to such Indebtedness does not exceed 8.0% per annum, (d) such Indebtedness is not guaranteed by any direct or indirect Subsidiary of Holdings, (e) such Indebtedness (other than obligations of Holdings to the trustee for the Holdings Convertible Subordinated Notes pursuant to Section 7.7 of the Holdings Convertible Subordinated Note Indenture) is not secured by any asset of Holdings or any of its direct or indirect Subsidiaries, (f) such Indebtedness (or the documentation governing the same) shall (i) provide for payment blockage of all principal and interest owing thereunder on the terms provided in the Holdings Convertible Subordinated Note Indenture and the Holdings Convertible Subordinated Notes are otherwise subordinated to the Obligations in accordance with the Holdings Convertible Subordinated Note Indenture and (ii) afford Holdings and its Subsidiaries the ability to incur secured Indebtedness under the Loan Documents (on a first-Lien priority basis), and (e) the documentation governing such Indebtedness, including all terms and conditions of such Indebtedness, are in form and substance satisfactory to the

Administrative Agent and its counsel. The issuance of the Holdings Convertible Subordinated Notes shall be deemed to be a representation and warranty by Holdings and the Borrowers that all conditions thereto have been satisfied in all material respects and that same is permitted in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Section 5.

"HOLDINGS STOCK REDEMPTION TERMINATION DATE" means the date that Holdings' option to redeem Holdings Common Stock issued to and held by Nortel LLC in accordance with the terms of the Nortel Letter Agreement shall terminate pursuant to the terms of the Nortel Letter Agreement.

"NORTEL LETTER AGREEMENT" means the letter agreement, dated March 11, 2003, among Holdings, Arris, Nortel LLC and Nortel Networks, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

"OPTION AGREEMENT" means the Option Agreement, dated as of June 7, 2002 by and among Nortel LLC, Arris and Holdings, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof.

B. Subsection 1.1 of the Credit Agreement is hereby further amended by deleting the definitions of "Change of Control", "Consolidated Senior Leverage Ratio" and "Subordinated Indebtedness" therefrom in their entirety and substituting the following therefor:

"CHANGE IN CONTROL" means any of the following:

3

(i) any Person (other than the Permitted Holders) acting in concert with one or more other Persons (other than the Permitted Holders) shall have acquired beneficial ownership, directly or indirectly, of Securities of Holdings (or other Securities convertible into such Securities) representing 30% or more of the combined voting power of all Securities of Holdings entitled to vote in the election of members of the Governing Body of Holdings, other than Securities having such power only by reason of the happening of a contingency;

(ii) the Permitted Holders acting in concert with one or more other Persons shall have acquired beneficial ownership, directly or indirectly, of Securities of Holdings (or other Securities convertible into such Securities) representing 50% or more of the combined voting power of all Securities of Holdings entitled to vote in the election of members of the Governing Body of Holdings, other than Securities having such power only by reason of the happening of a contingency;

(iii) the occurrence of a change in the Governing Body of Holdings such that a majority of members of such Governing Body are not Continuing Members;

(iv) the failure at any time of Holdings to legally and beneficially own and control 100% of the issued and outstanding shares of capital stock of Company or the failure at any time of Holdings to have the ability to elect all of the Governing Body of Company;

(v) the failure at any time of Company to legally and beneficially own and control 100% of the issued and outstanding shares of Capital Stock of all other Borrowers (other than Arris) or the failure at any time of Company to have the ability to elect all of the Governing Body of any

other Borrower (other than Arris), except as a result of a merger, dissolution, liquidation, Asset Sale or other disposition of such Borrower to the extent permitted under Subsection 7.7(i) or 7.7(vii);

(vi) the failure of Holdings and the Company to legally and beneficially own and control 100% of the membership interest of Arris (during the period prior to the issuance of the Holdings Convertible Subordinated Notes only, other than the Arris New Membership Interests) or the failure at any time of Holdings and Company to have the ability to elect all of the Governing Body of Arris;

(vii) the occurrence of any "Change of Control" as defined in the Convertible Subordinated Note Indenture; and

(viii) the occurrence of any "Change of Control" as defined in the Holdings Convertible Subordinated Note Indenture.

As used herein, the term "beneficially own" or "beneficial ownership" shall have the meanings set forth in the Exchange Act and the rules and regulations promulgated thereunder.

"CONSOLIDATED SENIOR LEVERAGE RATIO" means, as of any date of determination, the ratio of (a) Consolidated Total Debt (excluding (i) the Convertible

4

Subordinated Notes and any refinancing of the Convertible Subordinated Notes permitted in accordance with subsection 7.1(ix) and (ii) only to the extent outstanding during the applicable Fiscal Quarter which is the subject of this calculation, the Holdings Convertible Subordinated Notes) as of the last day of each of the three months in such Fiscal Quarter for which such determination is being made divided by three to (b) Consolidated EBITDA for the consecutive four Fiscal Quarters ending on the last day of the Fiscal Quarter for which such determination is being made.

"SUBORDINATED INDEBTEDNESS" means (i) the Convertible Subordinated Notes, (ii) the Holdings Convertible Subordinated Notes, (iii) any Indebtedness incurred in accordance with subsection 7.1(ix) to refinance the Convertible Subordinated Notes, (iv) any Subordinated Holdings Indebtedness and (v) any Indebtedness of any Borrower incurred from time to time and subordinated in right of payment to the Obligations.

1.2 AMENDMENTS TO SECTION 2: AMOUNTS AND TERMS OF COMMITMENTS AND LOANS.

A. Subsection 2.4A(iii) is hereby amended by deleting clause (c) in its entirety and substituting therefor:

"(c) Prepayments and Reductions Due to Issuance of Equity Securities. On the date of receipt of the Net Securities Proceeds from the issuance of any Capital Stock of Holdings or any Subsidiary of Holdings or from any capital contribution to Holdings by any holder of Capital Stock thereof after the Closing Date, Borrowers shall prepay the Loans and/or the Revolving Loan Commitments shall be permanently reduced in an aggregate amount equal to fifty percent (50%) of such Net Securities Proceeds; provided, however, that no such prepayment or reduction of the Revolving Loan Commitments shall be required in connection with (i) any issuances of Capital Stock of Holdings to any employee, executive, director or officer of Holdings or any of its Subsidiaries under an incentive compensation plan in an aggregate amount not to exceed \$10,000,000 in any Fiscal Year; (ii) issuances of Capital Stock of any Subsidiary of Holdings to directors of such Subsidiary in the extent required by applicable law; (iii) any issuance of Capital Stock in connection with the conversion of the Convertible Subordinated Notes in accordance with the terms of this Agreement; (iv)

issuance of Capital Stock to any Loan Party by one of its Subsidiaries or the incurrence of any intercompany Indebtedness permitted to be incurred under subsection 7.1; (v) any issuance of Holdings Common Stock or Preferred Holdings Stock in exchange for the Arris New Membership Interests in connection with the Mandatory Exchange Event in accordance with the terms of this Agreement and the Amended and Restated Arris Membership Agreement; or (vi) any issuance of Holdings Common Stock in connection with the conversion of the Holdings Convertible Subordinated Notes as permitted by and otherwise in accordance with the Holdings Convertible Subordinated Note Indenture."

5

B. Subsection 2.4A(iii)(d) of the Credit Agreement is hereby amended by deleting the period at the end of such subsection and inserting the following proviso at the end of such subsection:

"; provided, further, that notwithstanding anything in this clause (d) to the contrary, on and after the Eighth Amendment Effective Date, if no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom, Holdings and the Borrowers shall apply, or cause to be applied, all of the Net Securities Proceeds received from the issuance of the Holdings Convertible Subordinated Notes, first, to repay any outstanding Loans to the full extent thereof and, second, in accordance with subsection 6.17.

C. Subsection 2.4A(iii) of the Credit Agreement is hereby amended by adding the following clause (k) at the end of such subsection:

"(k) Elimination of Revolving Loan Commitment of Comerica on Eighth Amendment Effective Date. On the Eighth Amendment Effective Date, so long as no Loans are outstanding, the Revolving Loan Commitment of Comerica shall be reduced to zero and the aggregate Revolving Loan Commitments shall be reduced to \$115,000,000 after giving effect to such reduction of the Revolving Loan Commitment of Comerica, in each case in accordance with the terms of the Eighth Amendment.

1.3 AMENDMENTS TO SECTION 6: BORROWERS' AFFIRMATIVE COVENANTS.

A. Subsection 6.16 of the Credit Agreement is hereby amended by deleting such subsection in its entirety and substituting therefor the following:

6.16 REDEMPTION/REPAYMENT OF CONVERTIBLE SUBORDINATED NOTES.

Holdings and/or the Borrowers shall, within three (3) Business Days after the Eighth Amendment Effective Date, place in a deposit account (the "REDEMPTION/REPAYMENT ACCOUNT") subject to a Blocked Account Agreement, in such form as approved by the Administrative Agent, with the Administrative Agent and the banking institution maintaining such deposit account (providing (x) that upon the occurrence and during the continuation of an Event of Default, such deposit account is subject to the sole and exclusive control of the Administrative Agent and (y) subject to clause (x) above, so long as any Convertible Subordinated Notes are outstanding, without the prior written consent of Administrative Agent (as directed by Requisite Lenders), Borrower may only withdraw Cash from such deposit account to repay or redeem the Convertible Subordinated Notes) Cash sufficient to repay on May 15, 2003 the aggregate principal amount of all Convertible Subordinated Notes outstanding on such Eighth Amendment Effective Date and all other amounts due in connection with the Convertible Subordinated Notes; provided, further, that any Cash held in the Redemption/Repayment Account may be invested in Cash Equivalents in a Securities Account and the proceeds from such Securities Account may be deposited in a Restricted Deposit Account, so long as such Securities Account and

6

Restricted Deposit Account are subject to Blocked Account Agreements

that provide that so long as any Convertible Subordinated Notes are outstanding, any amounts in such Securities Account or Restricted Deposit Account may not be withdrawn by Borrower other than for deposit in the Redemption/Repayment Account or, in the case of such Restricted Deposit Account, reinvestment in Cash Equivalents credited to the Securities Account.

B. Section 6 of the Credit Agreement is hereby amended by adding the following subsections 6.17, 6.18 and 6.19 at the end of such Section:

6.17 REDEMPTION OF ARRIS NEW MEMBERSHIP INTERESTS.

If at any time after the Eighth Amendment Effective Date, Holdings issues any Holdings Convertible Subordinated Notes as permitted by this Agreement, Holdings shall, promptly upon receipt of the Net Securities Proceeds, first, repay all Loans required to be repaid in accordance with subsection 2.4A(iii) and, second, cause the Company to purchase, all of the Arris New Membership Interests from Nortel LLC in accordance with the terms of the Arris New Membership Interest Redemption Documents and subject to the conditions set forth in subsection 7.3(xix). Promptly following the purchase of the Arris New Membership Interests from Nortel LLC, Holdings and the Company shall provide the Administrative Agent with evidence satisfactory to it that the Company has contributed all of the Arris New Membership Interests acquired by Company to Arris as a capital contribution on terms reasonably acceptable to the Administrative Agent.

6.18 HOLDINGS CONVERTIBLE SUBORDINATED NOTE OFFERING.

A. If Holdings issues any Holdings Convertible Subordinated Notes as permitted by and otherwise in accordance with the terms of this Agreement, the same shall have been consummated no later than June 30, 2003. At the time of consummation thereof, all material consents and approvals of, and filings and registrations with, and all other actions in respect of, all governmental agencies, authorities or instrumentalities required in order to make or consummate such issuance in accordance with the requirements of the terms of the Holdings Convertible Subordinated Note Documents and all applicable laws shall be (or have been) obtained, given, filed or taken and are or will be in full force and effect (or effective judicial relief with respect thereto has been obtained). Additionally, at the time of such issuance, there shall not exist any judgment, order or injunction prohibiting or imposing material adverse conditions upon such issuance or the performance by Holdings and its Subsidiaries of their respective obligations under the Holdings Convertible Subordinated Note Documents therefor and in accordance with all applicable laws. The issuance of the Holdings Convertible Subordinated Notes shall be deemed to be a representation and warranty by Holdings that all conditions thereto specified in this subsection 6.19A have been satisfied in all material respects and that such issuance is permitted by and otherwise in accordance with the terms of this Agreement, which representation and warranty shall be deemed to be a representation and warranty for all purposes hereunder, including, without limitation, Section 5.

7

B. On or prior to the date of the issuance of the Holdings Convertible Subordinated Notes as permitted in accordance with the terms of this Agreement:

(i) The Administrative Agent shall have received from Holdings true and correct certified copies of (x) resolutions of the Board of Directors of such Person with respect to the matters set forth in this Section 6.18, and such resolutions shall be in form and substance satisfactory to the Administrative Agent and (y) the Organizational Documents of Arris existing after the redemption pursuant to subsection 7.3(xix) and any restatement thereof;

(ii) The Administrative Agent shall have received from Troutman Sanders LLP, counsel for Loan Parties, in form and substance satisfactory to the Administrative Agent and its counsel, an opinion addressed to each Lender (or appropriate reliance letters accomplishing

the same)1 and dated the date of the issuance of the Holdings Convertible Subordinated Notes, which opinions shall, in each case, cover such matters incident to such offering and the other transactions contemplated by this subsection 6.18 as the Administrative Agent may request and otherwise in form and substance satisfactory to the Administrative Agent and its counsel;

(iii) The Administrative Agent shall have received true and correct certified copies of all Holdings Convertible Subordinated Note Documents, Holdings Common Stock Redemption Documents and Arris New Membership Interest Redemption Documents, and all terms and conditions thereof shall be consistent with the requirements of this Agreement and otherwise be in form and substance satisfactory to the Administrative Agent and its counsel;

(iv) The Administrative Agent shall have received a certificate, dated the date of the issuance of the Holdings Convertible Subordinated Notes and signed on behalf of Holdings by an authorized officer of Holdings, stating that, as of the date of such issuance, (A) all of the conditions contained in this Section 6.18 have been satisfied; (B) the Holdings Convertible Subordinated Notes are being issued in compliance with the terms of the Credit Agreement and the other Loan Documents; (iii) no Event of Default or Potential Event of Default has occurred and is continuing; and (iv) the representations and warranties contained in Section 5 are true and correct (except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date); and

(v) The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, projections demonstrating that, after giving effect to the issuance of the Holdings Convertible Subordinated Notes and the use of

(1) IF A FORM IS AVAILABLE AND APPROVED BY THE ADMINISTRATIVE AGENT, A FORM CAN BE ATTACHED. A SUBORDINATION OPINION SIMILAR TO THE OPINION PREVIOUSLY PROVIDED BY TROUTMAN TO THE LENDERS ON AUGUST 3, 2001 WILL BE REQUIRED.

the proceeds therefrom, the Loan Parties shall be in compliance on a pro forma basis with all of the covenants set forth in Section 7 during the four-Fiscal Quarter period following the incurrence of such Indebtedness.

6.19 ARRIS INTERCOMPANY NOTE.

If at any time after the Eighth Amendment Effective Date, the Company becomes liable for any Indebtedness to Holdings as permitted by subsection 7.1(xv), the Company shall execute the Arris Intercompany Note in favor of Holdings evidencing the full amount of such Indebtedness. Promptly following the issuance of the Arris Intercompany Note, Holdings shall deliver to the Administrative Agent, (i) the executed original Arris Intercompany Note, duly endorsed and accompanied by a duly executed instrument of transfer or assignment, in form and substance reasonably satisfactory to Administrative Agent and (ii) a Pledge Supplement (as defined in the Security Agreement) with respect to such Indebtedness, each in accordance with the terms of the Security Agreement.

1.4 AMENDMENTS TO SECTION 7: BORROWERS' NEGATIVE COVENANTS.

A. Subsection 7.1 of the Credit Agreement is hereby amended by (i) inserting "During the period prior to the issuance of the Holdings Convertible Subordinated Notes only," at the beginning of clause (ix); (ii) deleting "After" at the beginning of clause (xi) and substituting therefore "During the period prior to the issuance of the Holdings Convertible

Subordinated Notes only, after"; and (iii) deleting the "and" at the end of clause (xii), deleting the period at the end of clause (xiii) and substituting therefor "; and", and inserting the following clauses (xiv) and (xv) at the end of such subsection:

"(xiv) Holdings may incur Indebtedness evidenced by the Holdings Convertible Subordinated Notes in an aggregate principal amount not to exceed \$125,000,000 in accordance with the terms of the Holdings Convertible Subordinated Note Documents and this Agreement, provided, that, at the time such Indebtedness is incurred, and after giving effect to such incurrence, no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom; and

(xv) In the event that Holdings issues the Holdings Convertible Subordinated Notes, Company may incur Indebtedness evidenced by the Arris Intercompany Note in an aggregate principal amount not to exceed the actual amount required to purchase the Arris New Membership Interests pursuant to the terms of the Arris New Membership Interest Redemption Documents; provided, that, at the time such Indebtedness is incurred, and after giving effect to such incurrence, no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom."

B. Subsection 7.3 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (xvii), deleting the period at the end of clause (xiii) and substituting

9

therefor "; and", and inserting the following clauses (xix) and (xx) at the end of such subsection:

"(xix) On the date of issuance of the Holdings Convertible Subordinated Notes, so long as on such date: (i) no Event of Default or Potential Event of Default has occurred and is continuing or shall be caused as a result of such purchase and (ii) no Loans are outstanding, the Company may purchase the Arris New Membership Interests from Nortel LLC in accordance with the terms of the Arris New Membership Interest Redemption Documents and this Agreement for an aggregate purchase price not to exceed (A) the Net Securities Proceeds actually received by Holdings from the issuance of the Holdings Convertible Subordinated Notes minus (B) the amount of any repayment of the Loans required to be made in accordance with subsection 2.4A(iii) in connection with the receipt of such Net Securities Proceeds or, in the event that the Net Securities Proceeds received from the issuance of the Holdings Convertible Subordinated Notes are insufficient to purchase 100% of the Arris New Membership Interests in accordance with the terms of the Arris New Membership Interest Redemption Documents, then for an aggregate purchase price equal to such Net Securities Proceeds (minus the amount prescribed in clause (B) above) plus up to, but in no event exceeding, \$20,000,000 in Cash so long as that after giving effect to such purchase, Cash Availability shall be at least \$30,000,000; provided, that for purposes of determining Cash Availability in accordance with this subsection 7.3(xix), Cash Availability shall not include (x) Cash held in the Redemption/Repayment Account; (y) Cash Equivalents held in any Securities Account; and (z) proceeds from any Securities Account held in a Restricted Deposit Account, each in accordance with subsection 6.16; and

(xx) Solely in the event that the Net Securities Proceeds received by Holdings from the issuance of the Holdings Convertible Subordinated Notes shall exceed the amount necessary to purchase 100% of the Arris New Membership Interests from Nortel LLC (such amount, the "EXCESS NET SECURITIES PROCEEDS") in accordance with the terms of the Arris New Membership Interest Redemption Documents and this Agreement, and only after the purchase of 100% of the Arris New Membership Interests in accordance with subsection 6.17, on any Business Day following the issuance of the Holdings Convertible Subordinated Notes, but before the Holdings Stock Redemption Termination Date, Holdings may redeem, in accordance with the terms of the Holdings Common Stock Redemption Documents, shares of Holdings Common Stock issued to and

held by Nortel LLC for an aggregate redemption price not to exceed the Excess Net Securities Proceeds, so long as on the date of such redemption, (i) no Event of Default of Potential Event of Default has occurred and is continuing or shall be caused as a result of such redemption, (ii) no Loans are outstanding and (iii) after giving effect to such redemption, Cash Availability shall be at least \$40,000,000; provided, that for purposes of determining Cash Availability in accordance with this subsection 7.3(xx), Cash Availability shall not include (x) Cash held in the Redemption/Repayment Account; (y) Cash Equivalents held in any Securities Account; and (z) proceeds from any Securities Account held in a Restricted Deposit Account, each in accordance with subsection 6.16."

10

C. Subsection 7.5 of the Credit Agreement is hereby amended by (i) inserting "During the period prior to the issuance of the Holdings Convertible Subordinated Notes only," at the beginning of clause (vii); (ii) deleting "If" at the beginning of clause (viii) and substituting therefor "During the period prior to the issuance of the Holdings Convertible Subordinated Notes only, if"; and (iii) deleting clauses (xi) and (xii) and substituting therefor the following clauses (xi), (xii), (xiii), (xiv), (xv), (xvi), (xvii), (xviii) and (xix) at the end of such subsection:

"(xi) On any Business Day after the Eighth Amendment Effective Date, Company, Arris and/or Holdings may repurchase or repay principal due on and redeem the Convertible Subordinated Notes and repay any other amounts required to be repaid in connection with such redemption and/or repayment, in each case in accordance with the terms of this Agreement, the Convertible Subordinated Notes and the Convertible Subordinated Note Indenture out of funds on deposit in the Redemption/Repayment Account, so long as on the date of such repayment or redemption, no Event of Default or Potential Event of Default has occurred and is continuing or shall be caused as a result of such repayment or redemption;

(xii) So long as no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom, Company and Arris may make Restricted Junior Payments to Holdings to the extent necessary to permit Holdings to redeem and/or repay the Convertible Subordinated Notes in accordance with clause (xi) above, so long as Holdings promptly applies the amount of any such Restricted Junior Payment for such purpose;

(xiii) So long as (i) no Event of Default has occurred and is continuing pursuant to subsection 8.1, 8.6 or 8.7, or (ii) no blockage notice has been delivered in accordance with the terms of the Holdings Convertible Subordinated Note Indenture, Company and Arris may make Restricted Junior Payments to Holdings to the extent necessary to permit Holdings to make scheduled cash interest payments (including Liquidated Damages (as defined in the Holdings Convertible Subordinated Note Indenture), if any) on the Holdings Convertible Subordinated Notes issued in accordance with the terms of this Agreement, so long as Holdings promptly applies the amount of any such Restricted Junior Payment for such purpose;

(xiv) So long as (i) no Event of Default has occurred and is continuing or would result therefrom, or (ii) no blockage notice has been delivered under the Holdings Convertible Subordinated Note Indenture, the Company may make scheduled cash interest payments on the Arris Intercompany Note to the extent required by the terms of the Arris Intercompany Note; provided, that the sum of (x) the aggregate amount of such payments made in any six-month period plus (y) the aggregate amount of any Restricted Junior Payments permitted to be made by clause (xiii) of this subsection 7.5 for the same six-month period shall not exceed the aggregate scheduled cash interest payments (including Liquidated Damages (as defined in the Holdings Convertible Subordinated Note Indenture), if any) on the Holdings Convertible Subordinated Notes required to be paid for the same six-month period;

11

(xv) So long as (i) no Event of Default has occurred and is continuing pursuant to subsection 8.1, 8.6 or 8.7, or (ii) no blockage notice has been delivered in accordance with the terms of the Holdings Convertible Subordinated Note Indenture, Holdings may make scheduled cash interest payments (including Liquidated Damages (as defined in the Holdings Convertible Subordinated Note Indenture), if any) on the Holdings Convertible Subordinated Notes issued in accordance with the terms of this Agreement to the extent required by the Holdings Convertible Subordinated Notes and the Holdings Convertible Subordinated Note Indenture;

(xvi) Holdings may exchange Holdings Convertible Subordinated Notes, in an aggregate principal amount not to exceed the face amount of the Holdings Convertible Subordinated Notes being exchanged, for Holdings Common Stock in accordance with the terms of the Holdings Convertible Subordinated Note Indenture; provided, that no other consideration is paid by Holdings or any of its Subsidiaries in connection with such exchange other than cash in lieu of fractional shares of Holdings Common Stock in accordance with clause (xvii) below;

(xvii) So long as no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom, Holdings may make Restricted Junior Payments in connection with the payment of cash in lieu of fractional shares of Holdings Common Stock pursuant to clause (xvi) above and to the extent required under the Holdings Convertible Subordinated Note Indenture;

(xviii) So long as (i) no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom and (ii) no Loans are outstanding, Holdings may redeem or otherwise acquire Holdings Common Stock issued to and held by Nortel LLC to the extent permitted by and otherwise in accordance with subsection 7.3(xx); and

(xix) So long as (i) no Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom and (ii) no Loans are outstanding, the Company may purchase the Arris New Membership Interests to the extent permitted by and otherwise in accordance with the terms of subsection 7.3(xix) provided that upon such purchase clause (vii) of this subsection 7.5 shall no longer apply."

D. Subsection 7.7 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (xi), deleting the period at the end of clause (xii) and substituting therefor "; and", and inserting the following clause (xiii) at the end of such subsection:

"(xiii) Holdings may authorize and issue the Holdings Subordinated Convertible Notes pursuant to the terms of the Holdings Subordinated Convertible Note Indenture and this Agreement and may authorize and issue shares of Holdings Common Stock as and to the extent required for any conversion of the Holdings Subordinated Convertible Notes pursuant to the Holdings Subordinated Convertible Notes and the Holdings Subordinated Convertible Note Indenture.

12

E. Subsection 7.9 of the Credit Agreement is hereby amended by deleting the "and" at the end of clause (v), deleting the period at the end of clause (vi) and inserting the following clauses (vii) and (viii) at the end of such subsection:

", (vii) the purchase of the Arris New Membership Interests from Nortel LLC to the extent permitted by and otherwise in accordance with the terms of this Agreement and (viii) the redemption by Holdings of Holdings Common Stock issued to and held by Nortel LLC to the extent permitted by and otherwise in accordance with the terms of this Agreement."

F. Subsection 7.12 of the Credit Agreement is hereby amended by deleting such subsection in its entirety and substituting therefor the following:

"7.12 AMENDMENTS OR WAIVERS OF CERTAIN AGREEMENTS;

AMENDMENTS OF DOCUMENTS RELATING TO SUBORDINATED
INDEBTEDNESS.

A. AMENDMENTS OR WAIVERS OF CERTAIN AGREEMENTS. Neither Holdings, any Borrower nor any their respective Subsidiaries will agree to any amendment to, or waive any of its rights under (i) any Reorganization Document (other than the Amended and Restated Arris Membership Agreement which is otherwise subject to clause (v) (y) below), Mexican Intercompany Security Document or Tax Abatement Transaction Document after the Closing Date; (ii) any Cadant Acquisition Document after the First Amendment Effective Date; (iii) any Keptel Sale Document after the closing of the Third Amendment to this Agreement; (iv) any Actives Division Sale Document after the closing of the Sixth Amendment to this Agreement; or (v) after the Eighth Amendment Effective Date, (x) any Holdings Common Stock Redemption Document, the Nortel Letter Agreement, the Option Agreement, the Settlement and Release Agreement, and the Arris Intercompany Note and, (y) only to the extent such amendment or waiver of rights adversely affects the rights of the Lenders, the Amended and Restated Arris Membership Agreement, without, in each case, obtaining the prior written consent of Requisite Lenders to such amendment or waiver.

B. AMENDMENTS OF DOCUMENTS RELATING TO SUBORDINATED INDEBTEDNESS. Except as permitted by subsection 7.1(viii) or 7.1(ix), neither Holdings nor any Borrower shall, and each shall not permit any of their respective Subsidiaries to, amend or otherwise change the terms of any Subordinated Indebtedness, or make any payment consistent with an amendment thereof or change thereto, if the effect of such amendment or change is to increase the interest rate on such Subordinated Indebtedness, change (to earlier dates) any dates upon which payments of principal or interest are due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate any such event of default or increase any grace period related thereto), change the redemption, prepayment or defeasance provisions thereof, change the subordination provisions thereof (or of any guaranty thereof), or change any collateral therefor (other than to release such collateral), or if the effect of such amendment or change, together with all other amendments or changes made, is to increase materially the obligations of the

13

obligor thereunder or to confer any additional rights on the holders of such Subordinated Indebtedness (or a trustee or other representative on their behalf) which would be adverse to Holdings, any Borrower, any of their respective Subsidiaries or Lenders; provided, however, that Holdings and the Company may amend the Convertible Subordinated Note Indenture to provide for the Subordinated Holdings Guaranty, pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent."

G. Section 7 of the Credit Agreement is hereby amended by adding the following subsection 7.16 at the end of such subsection:

"7.16 DESIGNATED SENIOR DEBT. Holdings shall not designate any Indebtedness (or related interest obligations) as Senior Indebtedness (as such term is defined in the Holdings Convertible Subordinated Note Indenture), except for the Obligations."

1.5 AMENDMENTS TO SECTION 8: EVENTS OF DEFAULT.

A. Subsection 8.3 of the Credit Agreement is hereby amended by deleting such subsection in its entirety and substituting therefor the following:

"8.3 BREACH OF CERTAIN COVENANTS.

Failure of Holdings or any Borrower to perform or comply with any applicable term or condition contained in subsection 2.5, 6.2, 6.14, 6.15 or 6.17 or Section 7 of this Agreement; or"

B. Subsection 8.13 of the Credit Agreement is hereby amended by deleting part (b) of clause (i) of such subsection in its entirety

and substituting the following therefor:

"(b) entering into and performing its obligations under and in accordance with the Subordinated Holdings Guaranty, Holdings Comdisco Guaranty, Cadant Acquisition Documents, the Holdings Common Stock Redemption Documents, the Arris New Membership Interest Documents, the Holdings Convertible Subordinated Note Documents, Arris Intercompany Note, Loan Documents or Reorganization Documents to which it is a party, or"

1.6 AMENDMENT TO SECTION 10: MISCELLANEOUS.

A. Subsection 10.7 of the Credit Agreement is hereby amended by deleting such subsection in its entirety and substituting therefor the following:

10.7 OBLIGATIONS DESIGNATED SENIOR DEBT.

A. Company hereby acknowledges and agrees that the Obligations are and designates the Obligations as Designated Senior Debt (as such term is defined in the Convertible Subordinated Note Indenture) and Designated Senior Indebtedness (as such term is used in the Convertible Subordinated Note Indenture).

14

B. Holdings hereby acknowledges and agrees that the Obligations are and designates the Obligations as Designated Senior Debt (as such terms is defined in the Holdings Convertible Subordinated Note Indenture) and Senior Indebtedness (as such term is used in the Holdings Convertible Subordinated Note Indenture).

SECTION 2. TERMINATION OF REVOLVING LOAN COMMITMENT OF COMERICA BANK.

The Borrowers and Lenders acknowledge and agree that on the Eighth Amendment Effective Date, so long as no Loans are outstanding, (w) the Revolving Loan Commitment of Comerica shall terminate, (x) Comerica shall relinquish its rights (other than any rights which survive the termination of the Credit Agreement under subsection 10.10B of the Credit Agreement) under the Credit Agreement, (y) Comerica shall be released from its obligations under the Credit Agreement and shall cease to be a party thereto and (z) the aggregate Revolving Loan Commitments shall be reduced to \$115,000,000 after giving effect to such termination.

As of the date hereof, the amount of each Revolving Lender's Revolving Loan Commitment is set forth opposite its name on Schedule 1 annexed hereto.

SECTION 3. BORROWERS' REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, Holdings and Borrowers represent and warrant to each Lender that the following statements are true, correct and complete:

A. CORPORATE POWER AND AUTHORITY. Holdings and each Borrower have all requisite corporate power and authority to enter into this Amendment, and perform their respective obligations under, the Credit Agreement as amended by this Amendment (the "AMENDED AGREEMENT").

B. AUTHORIZATION OF AGREEMENTS. The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate action on the part of Holdings and each Borrower.

C. NO CONFLICT. The execution and delivery by Holdings and Borrowers of this Amendment and the performance by Holdings and Borrowers of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Holdings or any Borrower or any of their respective Subsidiaries, the Certificate or Articles of

Incorporation or Bylaws or Certificate of Formation or Operating Agreement, as applicable, of Holdings or any Borrower or any of their respective Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Holdings, any Borrower or any of their respective Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Holdings, any Borrower or any of their respective Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or

15

assets of Holdings, any Borrower or any of their respective Subsidiaries (other than Liens created under any of the Loan Documents in favor of the Administrative Agent on behalf of Lenders), or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Holdings or any Borrower or any of their respective Subsidiaries.

D. GOVERNMENTAL CONSENTS. The execution and delivery by Holdings and each Borrower of this Amendment and the performance by Holdings and the Borrowers of the Amended Agreement and the transactions contemplated by this Amendment do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

E. BINDING OBLIGATION. This Amendment and the Amended Agreement have been duly executed and delivered by Holdings and each Borrower and is the legally valid and binding obligations of Holdings and the Borrowers, enforceable against such Persons in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

F. INCORPORATION OF REPRESENTATIONS AND WARRANTIES FROM CREDIT AGREEMENT. The representations and warranties contained in Section 5 of the Credit Agreement are and will be true, correct and complete in all material respects on and as of the Eighth Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

G. ABSENCE OF DEFAULT. No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute an Event of Default or a Potential Event of Default.

SECTION 4. ACKNOWLEDGEMENT AND CONSENT

Holdings, each Borrower and each Subsidiary Guarantor hereby acknowledges that such Loan Party has read this Amendment and consents to the terms hereof and further hereby confirms and agrees that, notwithstanding the effectiveness of this Amendment, the obligations of such Loan Party under each of the Loan Documents to which such Loan Party is a party shall not be impaired and each of the Loan Documents to which such Loan Party is a party are, and shall continue to be, in full force and effect and are hereby confirmed and ratified in all respects.

Holdings and each Subsidiary Guarantor acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Loan Party is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be

16

deemed to require the consent of such Loan Party to any future amendments to the Credit Agreement.

SECTION 5. MISCELLANEOUS

A. REFERENCE TO AND EFFECT ON THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS.

(i) On and after the Eighth Amendment Effective Date, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender under, the Credit Agreement or any of the other Loan Documents.

B. FEES AND EXPENSES. Company acknowledges that all costs, fees and expenses as described in subsection 10.2 of the Credit Agreement incurred by Agents and their counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrowers.

C. HEADINGS. Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

D. APPLICABLE LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

E. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment shall become effective upon (i) receipt by the Administrative Agent of an amendment fee equal to \$150,000 to be

17

distributed among each Lender that has executed and delivered a counterpart of this Amendment (other than Comerica), in proportion to the amount of each such Lender's Revolving Loan Exposure to the aggregate amount of the Revolving Loan Exposure of all such Lenders, in each case after giving effect to Section 2 of this Amendment; (ii) the execution of a counterpart hereof by each of the Borrowers, each of the Subsidiary Guarantors, Holdings and each Lender and receipt by Company and the Administrative Agent of written or telephonic notification of such execution and authorization of delivery; and (iii) payment to O'Melveny & Myers LLP, counsel to the Administrative Agent, of all outstanding legal fees and expenses for services provided to the Administrative Agent to date in connection with the Credit Agreement (including, but not limited, to this Amendment).

[Remainder of page intentionally left blank]

18

IN WITNESS WHEREOF, the parties hereto have caused this Eighth Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

HOLDINGS: ARRIS GROUP, INC.

By: _____

Name: Lawrence A. Margolis
Title: Vice President, Chief
Financial Officer & Secretary

COMPANY: ARRIS INTERNATIONAL, INC.

By: _____

Name: Lawrence A. Margolis
Title: Executive Vice President,
Chief Financial Officer &
Secretary

ARRIS: ARRIS INTERACTIVE L.L.C.

By: _____

Name: Lawrence A. Margolis
Title: Executive Vice President

SUBSIDIARIES OF COMPANY: ANTEC ASSET MANAGEMENT COMPANY

By: _____

Name: Lawrence A. Margolis
Title: President

ANTEC LICENSING COMPANY

By: _____

Name: Lawrence A. Margolis
Title: President

S-1

TEXSCAN CORPORATION

By: _____

Name: Lawrence A. Margolis
Title: Chairman of the Board

ELECTRONIC CONNECTOR CORPORATION OF ILLINOIS

By: _____

Name: Lawrence A. Margolis
Title: Vice President

POWER GUARD, INC.

By:

Name: Lawrence A. Margolis
Title: Vice President

ELECTRONIC SYSTEM PRODUCTS INC.

By:

Name: Lawrence A. Margolis
Title: Vice President

KEPTEL, INC.

By:

Name: Lawrence A. Margolis
Title: Vice President

S-2

SUBSIDIARY GUARANTORS,
for purposes of Section 4 only,

TEXSCAN DE MEXICO, S.A. DE C.V.

By:

Name: Lawrence A. Margolis
Title: Chairman

KEPTEL DE MEXICO S.A. DE C.V.

By:

Name: Lawrence A. Margolis
Title: Chairman

ANTEC INTERNATIONAL CORPORATION

By:

Name: Lawrence A. Margolis
Title: Director

S-3

LENDERS:

THE CIT GROUP/BUSINESS CREDIT, INC.,
individually and as Administrative Agent,
Collateral Agent and Syndication Agent

By:

Name:
Title:

S-4

BANK ONE, NA, as successor in interest of
American National Bank and Trust Company of
Chicago

By: _____
Name:
Title:

S-5

For purposes of Section 1.2C and
Section 2 only,

COMERICA BANK

By: _____
Name:
Title:

S-6

CONGRESS FINANCIAL CORPORATION (SOUTHERN)

By: _____
Name:
Title:

S-7

FLEET CAPITAL CORPORATION

By: _____
Name:
Title:

S-8

GMAC COMMERCIAL CREDIT LLC

By: _____

Name:
Title:

S-9

SCHEDULE 1

LENDER -----	COMMITMENT -----	PRO RATA SHARE -----
The CIT Group/Business Credit, Inc.	\$ 22,500,000.00	19.5652%
Bank One, NA	\$ 22,500,000.00	19.5652%
Congress Financial Corporation (Southern)	\$ 25,000,000.00	21.7391%
Fleet Capital Corporation	\$ 22,500,000.00	19.5652%
GMAC Commercial Credit LLC	\$ 22,500,000.00	19.5652%
	=====	=====
	\$ 115,000,000.00	100%

S-10

Exhibit XXI

Form of Arris Intercompany Note

See attached.

S-2

Exhibit XXII

Form of Holdings Convertible Subordinated Note Indenture

See attached.

Arris Group, Inc.
11450 Technology Circle
Duluth, Georgia 30097

March 11, 2003

Nortel Networks Inc.
221 Lakeside Boulevard
Richardson, Texas 75082-4399

Ladies and Gentlemen:

This letter memorializes the agreements that we have reached with respect to the Option Agreement by and among Nortel Networks Inc. ("Nortel"), as the successor in interest to Nortel Networks LLC (which was merged with and into Nortel as of December 31, 2002), Arris Interactive L.L.C. ("Arris Interactive"), and Arris Group, Inc. (the "Company") dated as of June 7, 2002 (the "Option Agreement"), and the Second Amended and Restated Limited Liability Company Agreement of Arris Interactive L.L.C., dated and effective as of August 3, 2001 (the "Operating Agreement"). Except as modified hereby, the referenced agreements shall remain in full force and effect.

Upon the terms and conditions set forth herein, Nortel hereby grants to the Company, for consideration of \$1, an option to purchase in cash, from time-to-time (but in no event on more than four occasions and in each event for at least 1,000,000 shares of common stock of the Company), up to an aggregate of 16,000,000 shares of common stock of the Company owned by Nortel (the "Stock Option"). The per share exercise price for the Stock Option shall be 90% of either (A) in the event that the exercise occurs within seven calendar days of the closing of the convertible subordinated note offering currently being pursued by the Company (it being acknowledged and agreed by the parties to this letter that the proposed terms of the notes, the principal amount being offered, the initial purchaser and other terms and conditions of such offering may vary from the current proposal and that such offering must close by March 31, 2003) (the "Note Offering"), the closing price on the Nasdaq National Market System for the common stock of the Company on the day that the Note Offering is priced, and (B) otherwise, the five trading day weighted average price (which is determined (based on Bloomberg's volume weighted average price function) by dividing (x) the sum of the amounts derived by multiplying each sale price during the five trading days immediately preceding the date of exercise by the number of shares sold at such price by (y) the aggregate trading volume for such five trading days) of the common stock of the Company. Notwithstanding the foregoing, the exercise price shall not be less than \$4.00 per share, except that with respect to up to 8,000,000 shares the exercise price may be less than \$4.00 per share but not less than \$3.50 per share, provided that to the extent that the exercise price for any shares is between \$3.50 and \$4.00 per share, there shall be a reduction in the forgiveness of the Class B Return described in the next paragraph equal to 50% of the amount by which the aggregate exercise price for all exercises is less than \$4.00 per share. The Stock Option will terminate upon the earliest of (i) March 31, 2003, in the event the Note Offering does not close by such date, (ii) June 30, 2003, and (iii) at Nortel's election on the occurrence of a "Change in Control" (as that term is defined in the Company's current convertible note indenture), a material change in the Company's business, or the commencement

of a third-party tender offer for the common stock of the Company. The Stock Option may be exercised only if (w) the Note Offering has closed, (x) the "Option" (as that term is defined in the Option Agreement) has been exercised in full, (y) Arris Interactive is not in breach of the Settlement and Release Agreement between Nortel and Arris Interactive dated the date hereof and (z) the Company has obtained all necessary consents under its credit agreement.

Notwithstanding the terms of the Option Agreement, the parties hereto agree that the Option may be exercised by Arris Interactive, Arris International, Inc. or the Company. In the event the Note Offering closes, the Company agrees to exercise in full the Option and pay the exercise price for such Option, or cause Arris Interactive or Arris International, Inc. to exercise

in full the Option and pay the exercise price for such Option, so that Nortel receives the funds for such Option exercise as soon as practicable but in no event later than the close of the business day following the date of the Company's receipt of funds in connection with the closing of the Note Offering. In the event the Note Offering has closed and the Option is exercised in full in accordance with the provisions of the preceding sentence, Nortel agrees to forgive a portion of the "Class B Return" (as that term is defined in the Operating Agreement) equal to (i) \$7,500,000 (i.e., the net amount of this forgiveness after the 21% discount provided for in the Option Agreement would be \$5,925,000) minus (ii) the reduction referenced in the preceding paragraph, if any.

In order to exercise the Stock Option, the Company must deliver written notice to Nortel (the "Exercise Notice"), which Exercise Notice shall specify the number of shares of common stock of the Company being purchased thereunder. Each closing of the transactions contemplated by the Exercise Notice (a "Closing") shall take place at 10:00 a.m., Boston time, on the third business day after the date of Nortel's receipt of such Exercise Notice. At each Closing, the Company shall deliver to Nortel, by wire transfer of immediately available U.S. funds to a bank account designated by Nortel by written notice to the Company prior to the Closing, the amount of the aggregate exercise price. At each Closing, Nortel shall deliver a stock power or other appropriate document to effect the transfer of the shares of common stock of the Company being purchased at such Closing.

Representations and Warranties of the Company and Arris Interactive. Each of the Company and Arris Interactive represents and warrants to Nortel, jointly and severally, as of the date hereof and as of the date of each Closing that:

- (a) Organization and Standing. The Company is a corporation and Arris Interactive is a limited liability company, in each case duly organized, validly existing and in good standing under the laws of the State of Delaware.
- (b) Authority.
 - (i) The execution and delivery of this letter, the exercise of the Stock Option and the Option (collectively, the "Options") and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate or limited liability company (as applicable) action of the Company and Arris Interactive prior to the date hereof (which action has not been rescinded or modified in any way).
 - (ii) This letter is a legal, valid and binding agreement of the Company and Arris Interactive, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles, whether considered at law or in equity).
- (c) Noncontravention. Except for a consent that may be necessary under the Company's credit agreement with respect to the exercise of the Stock Option, the execution, delivery and performance of this letter, the exercise of the Options and the consummation of the transactions contemplated hereby by the Company and Arris Interactive do not and will not (i) constitute a breach or violation of, or a default under, any law, rule or regulation or any judgment, decree, order, governmental permit or license, or agreement, indenture or instrument of the Company or Arris Interactive or to which the Company or Arris Interactive or any of their respective properties or assets are subject or bound, (ii) constitute a breach, violation or default under, the certificate of incorporation or by-laws of the Company or the certificate of formation or limited liability company agreement of Arris Interactive, or (iii) require any consent or approval under any such law, rule, regulation, judgment, decree, order, governmental permit or license, agreement, indenture or instrument, except in the case of (i) and (iii), where such breach, violation or default or the failure to obtain such consents or approvals would not in the aggregate have a material adverse effect on the Company and would not prevent or impair the Company's or Arris Interactive's ability to consummate the

transactions contemplated hereby.

- (d) Regulatory Approvals. No consents or approvals of, or filings or registrations with, any governmental authority are necessary for the Company or Arris Interactive to exercise the Options or for the Company or Arris Interactive to consummate the transactions contemplated hereby.
- (e) Solvency. Immediately after giving effect to the transactions contemplated hereby and the closing of the Note Offering, the Company, Arris Interactive and each of their relevant affiliates shall be able to pay its debts as they become due and shall own property having a fair saleable value greater than the amounts required to pay its debts (including a reasonable estimate of the amount of all contingent liabilities). Immediately after giving effect to the transactions contemplated hereby and the closing of the Note Offering, the Company, Arris Interactive and each of their relevant affiliates shall have adequate capital to carry on its business. No transfer of property is being made and no obligation is being incurred in connection with the transactions contemplated hereby and the closing of the Note Offering with the intent to hinder, delay or defraud either present or future creditors of the Company, Arris Interactive or any of their affiliates.

Representations and Warranties of Nortel. Nortel represents and warrants to the Company and Arris Interactive as of the date hereof and as of the date of each Closing that:

- (a) Organization and Standing. Nortel is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.
- (b) Authority.
- (i) The execution and delivery of this letter and the consummation of the transactions contemplated hereby have been duly authorized by all necessary

corporate action of Nortel prior to the date hereof (which action has not been rescinded or modified in any way).

- (ii) This letter is a legal, valid and binding agreement of Nortel, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general equity principles, whether considered at law or in equity).
- (c) Noncontravention. The execution, delivery and performance of this letter and the consummation of the transactions contemplated hereby by Nortel do not and will not (i) constitute a breach or violation of, or a default under, any law, rule or regulation or any judgment, decree, order, governmental permit or license, or agreement, indenture or instrument of Nortel or to which Nortel or any of its respective properties or assets are subject or bound, (ii) constitute a breach, violation or default under, the certificate of incorporation or by-laws of Nortel, or (iii) require any consent or approval under any such law, rule, regulation, judgment, decree, order, governmental permit or license, agreement, indenture or instrument, except in the case of (i) and (iii), where such breach, violation or default or the failure to obtain such consents or approvals would not in the aggregate have a material adverse effect on Nortel and would not prevent or impair Nortel's ability to consummate the transactions contemplated hereby.
- (d) Regulatory Approvals. No consents or approvals of, or filings or registration with, any governmental authority are necessary for Nortel to consummate the transactions contemplated hereby.
- (e) Title to Shares of Common Stock. Nortel has good and valid title to the 16,000,000 shares of common stock of the Company issuable upon exercise of the Stock Option, free and clear of all liens or encumbrances (other than liens or encumbrances, if any, imposed by the securities laws).

To the extent the matters set forth in this letter are inconsistent with, or otherwise conflict with the provisions of, the Second Amended and Restated Investor Rights Agreement by and among Nortel, Nortel Networks LLC and the Company, dated as of June 7, 2002 (the "Investor Rights Agreement"), each of Nortel and the Company hereby waives any such inconsistencies or conflicts. In all other respects, the provisions of the Investor Rights Agreement shall continue in full force and effect.

The parties hereto acknowledge and agree that none of the shares of common stock of the Company subject to the Stock Option are registered for resale on the Company's Registration Statement on Form S-3 (File No. 333-88498) or deemed to be "Registered Shares" (as such term is defined in the Lock-Up Agreement between Nortel Networks LLC and Liberty ANTC, Inc., dated as of June 7, 2002).

Nortel agrees to execute and deliver to CIBC World Markets a lock-up agreement substantially in the form attached hereto as Annex A (with such changes as CIBC may reasonably request) at the closing of the Note Offering.

If the foregoing accurately reflects our agreements, please sign where indicated below.

Sincerely yours,
Arris Group, Inc.

By: _____
Lawrence Margolis
Executive Vice President

Arris Interactive L.L.C.
By: Arris Group, Inc.

By: _____
Lawrence Margolis
Executive Vice President

Agreed to:
Nortel Networks Inc.

By: _____
Its: _____

SETTLEMENT AND RELEASE

THIS SETTLEMENT AND RELEASE ("Release") is entered into as of the 11th day of March, 2003 between Arris Interactive L.L.C. ("Arris") and Nortel Networks Inc. ("Nortel Networks").

WHEREAS, Nortel Networks and Arris are parties to a Sales Representation Agreement dated as of August 3, 2001 (the "Agreement");

AND WHEREAS, the parties wish to settle a dispute that arose in connection with the Agreement and certain other matters;

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged by all of the parties, the parties hereto hereby agree as follows:

1. Nortel Networks and Arris agree that the amount owed by Arris to Nortel Networks under the Agreement is \$10,800,000.
2. It is further agreed that there shall be no further Sales Commission (as defined in the Agreement) due under the Agreement, and that the Agreement is terminated effective as of the date of this Release.
3. Nortel Networks and Arris agree that the net amount owed by Nortel Networks to Arris in connection with products sold in Japan by a Nortel Networks affiliate is \$1,256,000 (the "Japan Payable").
4. It is agreed that the amount owed by Nortel Networks to Arris will be deducted from the amount owed by Arris to Nortel Networks so that only the net amount of \$9,544,000 (the "Net Settlement Amount") will be paid.
5. Arris shall pay the Net Settlement Amount by wire transfer in immediately available funds to a bank account designated by Nortel Networks so that Nortel Networks receives such amount as soon as practicable but in no event later than the close of the business day following the date of Arris Group, Inc.'s receipt of funds in connection with the closing of the "Note Offering" (as that term is defined in the letter agreement by and among Nortel Networks, Arris, and Arris Group, Inc. of even date herewith).
6. Arris together with its affiliates, and their directors, officers, employees, successors, assigns and agents hereby releases and forever discharges Nortel Networks together with its affiliates, and their directors, officers, employees, successors, assigns and agents from any and all claims, demands, debts, causes of actions, suits, express or implied warranties, covenants, contracts, agreements or promises whatsoever, arising prior to the date hereof, that Arris or its affiliates, or their directors, officers,

employees, successors, assigns or agents ever had, now have or may hereafter have against Nortel Networks or its affiliates, or their directors, officers, employees, successors, assigns or agents, by reason of any matter or thing arising out of or in connection with the Agreement or the Japan Payable.
7. Nortel Networks together with its affiliates, and their directors, officers, employees, successors, assigns and agents hereby releases and forever discharges Arris together with its affiliates, and their directors, officers, employees, successors, assigns and agents from any and all claims, demands, debts, causes of actions, suits, express or implied warranties, covenants, contracts, agreements or promises whatsoever, arising prior to the date hereof, that Nortel Networks or its affiliates, or their directors, officers, employees, successors, assigns or agents ever had, now have or may hereafter have against Arris or its affiliates, or their directors, officers, employees,

successors, assigns or agents, by reason of any matter or thing arising out of or in connection with the Agreement or the Japan Payable.

- 8. Nortel Networks and Arris specifically agree that the foregoing releases shall not in any way affect their respective obligations and duties contained in this Release. As such, Nortel Networks and Arris specifically retain and preserve any claims arising out of a breach of this Release. It is understood that the terms of this Release do not apply to any matter between the parties other than as specifically provided herein, and for greater certainty, this Release is not intended to relieve either party of any obligations assumed under the Assignment and Sale Agreement made between the parties as of August 3, 2001.
- 9. This Release shall be void ab initio, the releases granted herein shall be of no effect, and no payments shall be required to be made hereunder, in the event that the "Option" (as that term is defined in the Option Agreement by and among Nortel Networks, Arris, and Arris Group, Inc. dated as of June 7, 2002) is not exercised in full immediately following the closing of the Note Offering.
- 10. This Release shall inure to and bind the parties hereto, their respective heirs, legal representatives, successors, assigns and anyone claiming by, through or under said parties.
- 11. This Release may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.
- 12. This Release comprises the entire Release between Nortel Networks and Arris and no promise, inducement or representation other than herein set forth has been made, offered or agreed upon. This Release supersedes all prior agreements, understandings

2

or commitments concerning or relating to the subject matter of this Release and Nortel Networks and Arris acknowledge that the terms hereof are contractual in nature and not mere recitals.

- 13. Nortel Networks and Arris agree that this Release shall be governed in all respects by the laws of the State of New York, without reference to conflict of law principles.
- 14. No amendment of any provision of this Release shall be valid and binding unless the same shall be in writing and signed by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Release effective as of the date first above written.

NORTEL NETWORKS INC.

By: _____

Title: _____

ARRIS INTERACTIVE L.L.C.

By: _____

Title: _____

3

Arris Group, Inc.
11450 Technology Circle
Duluth, Georgia 30097

March 11, 2003

Nortel Networks Inc.
221 Lakeside Boulevard
Richardson, Texas 75082-4399

Ladies and Gentlemen:

This letter memorializes certain agreements that we have reached with respect to the Registration Rights Agreement by and between Nortel Networks Inc. ("Investor"), as successor in interest to Nortel Networks LLC (which was merged with and into Nortel as of December 31, 2002), and Arris Group, Inc. ("Newco") dated as of August 3, 2001 (the "Agreement").

We have agreed that:

- (1) the limitations contained in Subsections 4(b) and (c) of the Agreement shall not apply to any shares of Common Stock of Newco loaned pursuant to the Master Securities Loan Agreement by and between Investor and CIBC World Markets Corp. dated as of March 11, 2003 (the "Loan Agreement"), and any substitutes therefor that are returned in lieu thereof pursuant to the Loan Agreement (collectively, the "Covered Shares");
- (2) any shares that are returned pursuant to the Loan Agreement shall constitute "Registrable Shares" for purposes of the Agreement;
- (3) the Stockholders (as defined in the Agreement) shall be entitled to have the Covered Shares registered or reregistered, as the case may be, including more than once. It is understood that all of the provisions of the Agreement shall apply to the registration of the Covered Shares; and
- (4) notwithstanding the limitation contained in Subsection 4(b) of the Agreement, if at any time the residual Registrable Shares held by Investor is less than 5% of the then outstanding shares of Common Stock of Newco, Investor shall be entitled to cause Newco to effect a single registration under Section 1 of the Agreement of all (but not less than all) of the residual Registrable Shares, provided that Investor is not then entitled to sell the entire amount of residual Registrable Shares pursuant to Rule 144(e)(1) promulgated under the Securities Act of 1933, as amended.

In addition to the foregoing agreements, Newco acknowledges that the transactions contemplated under the Loan Agreement are not inconsistent with the Second Amended and Restated Investor Rights Agreement, dated as of June 7, 2002 (the "Investor Rights Agreement"), and that Investor shall be deemed to "Beneficially Own" (as defined in the Investor Rights Agreement) the Covered Shares for purposes of the Investor Rights Agreement while such shares are loaned under the Loan Agreement.

Newco also agrees to reimburse Investor for legal fees and expenses of outside counsel to Investor in connection with the negotiation of the Loan Agreement; provided, however, that Newco shall not be liable for aggregate fees and expenses in excess of \$5,000.

If the foregoing accurately reflects our agreements, please sign where indicated below.

Sincerely yours,

Arris Group, Inc.

By: -----
Lawrence Margolis
Executive Vice President

Agreed to:

Nortel Networks Inc.

By: -----
Its: -----

DRAFT #4

FOR IMMEDIATE RELEASE

Contact: Jim Bauer
Investor Relations
(678) 473-2647
jim.bauer@arrisi.com

ARRIS ANNOUNCES PROPOSED \$100 MILLION
CONVERTIBLE SUBORDINATED NOTE OFFERING

DULUTH, GA. (MARCH 11, 2003) ARRIS (NASDAQ:ARRS) today announced that it proposes to offer a new issue of \$100 million of Convertible Subordinated Notes due 2008.

The notes will be convertible into common stock of the Company, at the option of the holder, at a price to be determined. The Company expects to use the net proceeds from the offering to redeem, at a discount, the outstanding balance of the membership interest currently owed to Nortel Networks (NYSE:NT) and to use any remaining proceeds to repurchase, at a discount, as many as possible of the outstanding shares of ARRIS stock currently owned by Nortel Networks.

The notes will not have been registered under the Securities Act of 1933, as amended, or any state securities laws, and, unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

Accordingly, the Notes will be offered and sold within the United States under Rule 144A only to "qualified institutional buyers" and outside of the United States in accordance with Regulation S under the Securities Act.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy the Notes.

ARRIS is a leading provider of innovative broadband local access networks and high-speed data and telephony systems for the delivery of voice, video and data to the home and business. From the network to the subscriber, ARRIS provides complete solutions that add reliability and value. Headquartered in Duluth, Georgia, USA, ARRIS has design, engineering, manufacturing, distribution, and sales office locations throughout the world. Information about ARRIS products and services can be found at www.arrisi.com.

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FOR IMMEDIATE RELEASE

CONTACT: Jim Bauer
Investor Relations
(678) 473-2647
jim.bauer@arrisi.com

ARRIS ANNOUNCES FOURTH QUARTER
AND FULL YEAR 2002 RESULTS

DULUTH, GA. (FEBRUARY 4, 2003) ARRIS (NASDAQ:ARRS) a global telecommunications technology leader, today announced financial results for the fourth quarter and full year 2002 that exceeded the Company's previously provided guidance range for the quarter and were well ahead of consensus analyst earnings estimates.

The Company generated over \$51 million of cash from operations during the quarter and over \$117 million during the full year 2002. The cash balance at year end was \$98.4 million, up from the third quarter level of \$94.0 million. During the quarter the Company redeemed \$75.7 million of convertible notes and at year end had \$23.9 million of convertible notes outstanding, due May 15, 2003. The Company ended the year with no amounts outstanding on its revolving credit facility and has not drawn on the facility since September 2001.

The Company has adopted SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" with respect to its Actives and Keptel product lines which were sold in 2002. As a result, these two product lines have been accounted for as discontinued operations and all current and historical results have been reclassified accordingly. The Company has provided supplemental Consolidated Statements of Operations for the fourth quarter 2002 and full year 2002, before the implementation of SFAS 144, for comparative purposes.

FINANCIAL HIGHLIGHTS:

- Revenue in the fourth quarter was \$122.4 million (\$137.4 million including the discontinued operations), which was at the high end of the previously announced guidance range. For the full year 2002 revenue was \$651.9 million (\$720.7 million including the discontinued operations) up 4% as compared to \$628.3 million in 2001.

- On a GAAP basis, net income (loss) per share for the fourth quarter was \$(1.14) and compares to \$(0.18) in the fourth quarter 2001. For the full year 2002 net income (loss) per share was \$(2.33) which compares to \$(3.13) in

2001. Various unusual items, including goodwill impairment charges, are included in net income (loss) for both the quarter and the year, the details of which are described in an attached schedule.

- Cash earnings (net income plus intangible amortization) per share, excluding unusual items, were \$0.02 in the fourth quarter, including foreign exchange gains of approximately \$0.02, exceeding the Company's previous guidance. For the full year, cash earnings per share, excluding unusual items, were \$0.28 in 2002 as compared to a loss of \$(0.30) in 2001.

- Cash on hand at year end was \$98.4 million with zero drawn on the revolving credit facility.

- \$75.7 million of convertible notes were redeemed in the fourth quarter, leaving a year end balance of \$23.9 million, due May 2003.

- \$51.3 million of cash from operations was generated in the fourth quarter, \$117.3 million for the full year 2002.

FINANCIAL DETAILS:

Fourth quarter revenues were \$122.4 million (\$137.4 million including the discontinued operations) down from third quarter revenues of \$180.6 million (\$197.6 million including the discontinued operations). The decline reflects lower purchases of the Company's Broadband products, specifically from Comcast/AT&T Broadband. Revenues for the full year 2002 were \$651.9 million (\$720.7 million including the discontinued operations) which compares to \$628.3 million in 2001, or up 4% year over year. On a GAAP basis, net income (loss) for

the fourth quarter was \$(94.1) million or \$(1.14) per share, as compared to \$0.04 per share in the third quarter and \$(0.18) per share in the fourth quarter 2001. During the quarter, the Company posted unusual items aggregating \$(87.0) million, or \$(1.05) per share comprised of: a charge for goodwill impairment in accordance with SFAS 142 of \$(70.2) million, net gains on the sales of the Actives and Keptel product lines of \$4.6 million, net gains related to the redemption of convertible notes of \$2.0 million, \$(12.4) million of charges related to the write-down to market of several investments in technology start-ups and investments in marketable securities, and, severance, asset impairment and other charges of \$(11.0) million. GAAP net income (loss) for 2002 was \$(191.2) million or \$(2.33) per share which compares to \$(3.13) per share in 2001. Included in the net loss for 2002 were unusual items aggregating \$(179.4) million, the most significant of which were charges related to goodwill impairment aggregating \$(128.2) million. Cash earnings (net income plus intangible amortization) per share in the fourth quarter, before unusual items, were \$0.02, including a \$0.02 foreign currency gain, exceeding the Company's prior guidance and compare to \$0.10 in the third quarter and \$0.00 in the fourth quarter 2001. Cash earnings per share, before unusual items, for 2002 were \$0.28 and

compare to \$(0.30) for 2001. Supplemental schedules detailing Unusual Items and Cash Earnings are attached.

As a result of the sale of the Company's Keptel and Actives product lines, starting with the fourth quarter of 2002, revenues from the remaining product lines within the Transmission, Optical & Outside Plant product category will now be combined and reported with the Supplies & Services revenues. Supplies & Services revenues during the quarter were \$43.3 million and compare to \$48.2 million in the prior quarter and primarily reflect lower purchases by Comcast/AT&T Broadband of local power supplies for use with voiceports. Broadband revenues were \$79.1 million in the fourth quarter, down from the third quarter level of \$132.3 million reflecting the lower level of sales to Comcast/AT&T Broadband during the quarter. International sales were \$26.3 million in the quarter and compare to \$34.0 million in the third quarter. The decrease predominately relates to lower shipments to Cabovisao which is in the process of restructuring its credit facility. However, the Company received partial payment of its accounts receivable from Cabovisao in January 2003 and has resumed shipments to it on a limited basis. The Company continues to monitor the results of the financing efforts by Cabovisao. Sales to Comcast/AT&T Broadband were \$35.0 million in the quarter and compare to \$89.5 million in the third quarter. Backlog at year end 2002 was \$43.9 million compared to \$56.0 million at the end of the third quarter. Bookings in the fourth quarter were \$110.2 million as compared to \$109.8 million in the third quarter.

Selling, general, administrative and development expenses from continuing operations were \$39.0 million in the quarter, down \$7.1 million from the third quarter. The decrease in expenses is the result of cost reduction activities implemented in the last half of 2002 and the discontinuance of the agency fee paid to Nortel Networks related to certain international customers.

"ARRIS has undergone a positive transformation during 2002 that positions us strongly for the coming years" said Bob Stanzione, ARRIS President & CEO. "We completed the outsourcing of all of our manufacturing, dramatically improved our balance sheet, divested underperforming assets and at the same time have demonstrated market leadership in new technologies such as Voice over IP and next generation high speed data products. Although our industry experienced considerable turmoil during the past year, we took the necessary actions to lower our breakeven point and continued to aggressively invest in our future. These investments and our markedly improved financial position gives us the flexibility to continue to grow the business," concluded Stanzione.

Also during the quarter, the Company announced significant orders from Comcast and Susquehanna Communications for its market leading Cadant(R) C-4(TM) cable modem termination system (CMTS).

"We have clearly exceeded our goals in improving our balance sheet during 2002," said Larry Margolis, ARRIS EVP & CFO. "For the second year in a row we exited the fourth quarter with no amounts owed under our revolving credit facility. At the same time, we have repurchased almost all of our outstanding convertible notes while maintaining our cash resources at an all time quarter-end high.

Although our industry appears to have begun to emerge from the uncertainties that plagued 2002, it still remains difficult to forecast beyond the current quarter. We now believe that first quarter 2003 revenues, adjusted for the sale of the two product lines, should be in the range of \$120 million to \$130 million with cash earnings (net income plus intangible amortization), excluding unusual items, in a range of \$(0.03) to \$0.03 per share."

ARRIS management will conduct a conference call at 8:30am EST on Wednesday February 5, 2003 to discuss these results in detail. You may participate in this conference call by dialing (877) 691-0897 prior to the start of the call and providing the ARRIS Group Inc. name and Jim Bauer as the moderator. Please note that ARRIS will not accept any calls related to this earnings release during the period between the 4:30pm EST release on February 4th and the completion of the scheduled conference call at 8:30am EST on February 5, 2003.

ARRIS provides broadband local access networks with innovative high-speed data and telephony systems for the delivery of voice, video and data to the home and business. ARRIS complete solutions enhance the reliability and value of converged services from the network to the subscriber. Headquartered in Duluth, Georgia, USA, ARRIS has design, engineering, distribution, service and sales office locations throughout the world. Information about ARRIS' products and services is found at www.arrisi.com.

Forward-looking statements:

Certain information and statements contained in this press release constitute forward-looking statements with respect to the financial condition, results of operations, and business of ARRIS. Statements that are based on current expectations, estimates, forecasts, and projections about the markets in which the Company operates and management's beliefs and assumptions regarding these markets are forward-looking statements. The Company cautions that any forward-looking statements made are not guarantees of future performance.

Statements made in this press release, including those related to:

- achievement and timing of results based on management's actions;
- first quarter 2003 revenues and earnings;
- the general market outlook; and
- the timing of improvements in industry conditions

are forward-looking statements. These statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. Among other things,

- projected results for the first quarter 2003 are based on preliminary estimates, assumptions and projections that management believes to be reasonable at this time, but are beyond management's control;
- because the market in which ARRIS operates is volatile, actions taken and contemplated may not achieve the desired impact relative to changing market conditions and the success of these strategies will be dependent on the effective implementation of those plans while minimizing organizational disruption; and
- several of the substantial participants in our industry are in a weakened financial condition which could directly or indirectly cause a reduced demand for our products or other unexpected consequences, additionally, we cannot be certain if or when the general uncertainty in our industry will stabilize or improve.

In addition to the factors set forth elsewhere in this release, other factors that could cause results to differ from current expectations include: the impact of rapidly changing technologies; the impact of competition on product development and pricing; the ability of ARRIS to react to changes in general industry and market conditions including regulatory developments; rights to intellectual property, market trends and the adoption of industry standards; and consolidations within the telecommunications industry of both the customer and supplier base. These factors are not intended to be an all-encompassing list of risks and uncertainties that may affect the Company's business. Additional information regarding these and other factors can be found in ARRIS' reports filed with the Securities and Exchange Commission. In providing forward-looking statements, the Company is not undertaking any obligation to update publicly or otherwise these statements, whether as a result of new information, future

events or otherwise.

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ARRIS GROUP, INC.
Consolidated Balance Sheets
(in thousands)

	DECEMBER 31 2002	SEPTEMBER 30 2002 (UNAUDITED)	JUNE 30 2002 (UNAUDITED)	MARCH 31 2002 (UNAUDITED)	DECEMBER 31, 2001
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 98,409	\$ 94,037	\$ 53,212	\$ 27,357	\$ 5,337
Accounts receivable, net	78,743	132,418	143,073	125,081	118,264
Accounts receivable from Nortel	2,212	2,930	3,177	8,299	18,857
Other receivables	3,154	3,766	6,292	12,525	10,049
Inventories	104,203	113,874	122,550	122,626	137,132
Income taxes recoverable	--	--	12,629	12,853	5,066
Investment held for resale	137	83	225	581	795
Current assets - discontinued operations	--	22,830	26,190	51,665	64,835
Other current assets	14,834	18,905	21,057	23,857	19,185
Total current assets	301,692	388,843	388,405	384,844	379,520
Property, plant and equipment, net	34,540	40,528	42,510	44,399	41,623
Goodwill	151,265	222,507	223,561	223,301	259,062
Intangibles	64,843	74,318	83,026	97,734	44,488
Investments	4,594	12,387	12,593	14,079	14,037
Deferred income taxes, net	--	--	--	--	--
Other assets	6,478	10,721	10,078	11,154	13,385
	\$ 563,412	\$ 749,304	\$ 760,173	\$ 775,511	\$ 752,115
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$ 24,253	\$ 43,383	\$ 53,073	\$ 41,806	\$ 18,620
Accrued compensation, benefits and related taxes	23,423	27,238	25,181	28,272	32,747
Accounts payable and accrued expenses - Nortel	11,303	13,095	19,643	13,042	25,411
Current portion of long-term debt	23,887	99,598	99,598	--	--
Current portion of capital lease obligations	1,120	1,142	1,163	1,122	--
Other accrued liabilities	44,360	41,037	44,619	45,219	41,684
Total current liabilities	128,346	225,493	243,277	129,461	118,462
Capital lease obligations, net of current portion	158	389	615	899	--
Long-term debt	--	--	--	115,000	115,000
Total liabilities	128,504	225,882	243,892	245,360	233,462
Membership interest - Nortel	114,518	111,768	109,110	106,610	104,110
Total liabilities & membership interest	243,022	337,650	353,002	351,970	337,572
Stockholders' equity:					
Preferred stock	--	--	--	--	--
Common stock	831	830	828	807	755
Capital in excess of par value	603,563	603,639	603,109	578,829	507,650
Unearned compensation	(1,649)	(2,010)	(2,175)	(2,618)	(577)
Unrealized holding gain (loss) on marketable securities	227	(3,469)	(3,656)	(3,170)	(3,211)
Unfunded pension losses	(1,219)	--	--	--	--
Retained earnings	(281,329)	(187,283)	(190,769)	(150,056)	(90,162)
Cumulative translation adjustments	(34)	(53)	(166)	(251)	88
Total stockholders' equity	320,390	411,654	407,171	423,541	414,543
	\$ 563,412	\$ 749,304	\$ 760,173	\$ 775,511	\$ 752,115
	=====	=====	=====	=====	=====

ARRIS GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE DATA)

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS ENDED DECEMBER 31,	
	2002	2001	2002	2001
Net sales	\$ 122,407	\$ 162,131	\$ 651,883	\$ 628,323
Cost of sales	79,682	108,608	425,231	479,663
Gross profit	42,725	53,523	226,652	148,660
Operating expenses:				
Selling, general, administrative and development	39,023	42,823	200,574	129,743

In-process R&D write-off	--	--	--	18,800
Restructuring and impairment charges	7,113	4,000	7,113	11,602
Impairment of goodwill	70,209	--	70,209	--
Amortization of goodwill	--	780	--	3,256
Amortization of intangibles	8,708	4,292	34,494	7,012
	-----	-----	-----	-----
	125,053	51,895	312,390	170,413
	-----	-----	-----	-----
Operating income (loss)	(82,328)	1,628	(85,738)	(21,753)
Interest expense	966	1,819	5,524	9,296
Membership interest	2,750	2,501	10,409	4,110
Loss (gain) on debt retirement	(1,974)	--	7,302	--
Loss (gain) on investments	12,423	(82)	14,894	767
Other (income) expense, net	(776)	506	(2,654)	9,892
	-----	-----	-----	-----
Income (loss) from continuing operations before income taxes	(95,717)	(3,116)	(121,213)	(45,818)
Income tax expense (benefit)	--	--	(6,800)	35,588
	-----	-----	-----	-----
Net income (loss) from continuing operations	(95,717)	(3,116)	(114,413)	(81,406)
Discontinued Operations:				
Income (loss) from discontinued operations (including a net gain on disposals of \$4,577 for the three months ended 12/31/02 and a net loss on disposals of \$(3,959) for the twelve months ended 12/31/02)	1,671	(10,444)	(18,794)	(92,441)
Income tax expense (benefit)	--	--	--	(7,969)
	-----	-----	-----	-----
Income (loss) from discontinued operations	1,671	(10,444)	(18,794)	(84,472)
	-----	-----	-----	-----
Net income (loss) before extraordinary loss and cumulative effect of accounting change	(94,046)	(13,560)	(133,207)	(165,878)
Extraordinary loss	--	--	--	1,853
Cumulative effect of accounting change - goodwill	--	--	57,960	--
	-----	-----	-----	-----
Net income (loss)	\$ (94,046)	\$ (13,560)	\$ (191,167)	\$ (167,731)
	=====	=====	=====	=====
Net income (loss) per common share:				
Basic: Income (loss) from continuing operations	\$ (1.16)	\$ (0.04)	\$ (1.40)	\$ (1.52)
Income (loss) from discontinued operations	0.02	(0.14)	(0.23)	(1.58)
Extraordinary loss	--	--	--	(0.03)
Cumulative effect of accounting change	--	--	(0.71)	--
	-----	-----	-----	-----
Basic: Net income (loss)	\$ (1.14)	\$ (0.18)	\$ (2.33)	\$ (3.13)
	=====	=====	=====	=====
Diluted: Income (loss) from continuing operations	\$ (1.16)	\$ (0.04)	\$ (1.40)	\$ (1.52)
Income (loss) from discontinued operations	0.02	(0.14)	(0.23)	(1.58)
Extraordinary loss	--	--	--	(0.03)
Cumulative effect of accounting change	--	--	(0.71)	--
	-----	-----	-----	-----
Diluted: Net income (loss)	\$ (1.14)	\$ (0.18)	\$ (2.33)	\$ (3.13)
	=====	=====	=====	=====
Weighted average common shares:				
Basic	82,666	75,398	81,934	53,624
	=====	=====	=====	=====
Diluted	82,666	75,398	81,934	53,624
	=====	=====	=====	=====
SUPPLEMENTAL INFORMATION TO THE STATEMENTS OF OPERATIONS:				
Excluding the effects of unusual items - see attached page for details				
Gross profit	\$ 42,831	\$ 56,302	\$ 229,886	\$ 161,248
	=====	=====	=====	=====
Operating income (loss)	\$ (3,548)	\$ 8,407	\$ 13,669	\$ 24,993
	=====	=====	=====	=====
Net income (loss) from continuing operations	\$ (6,488)	\$ 3,581	\$ (428)	\$ 1,808
	=====	=====	=====	=====
Net income (loss) from discontinued operations	\$ (528)	\$ (8,835)	\$ (11,365)	\$ (30,039)
	=====	=====	=====	=====
Net income (loss) before extraordinary loss and cumulative effect of accounting change	(7,016)	(5,254)	(11,793)	(28,231)
	=====	=====	=====	=====
Net income (loss)	\$ (7,016)	\$ (5,254)	\$ (11,793)	\$ (28,231)
	=====	=====	=====	=====
Net loss per common share:				
Basic and diluted	\$ (0.08)	\$ (0.07)	\$ (0.14)	\$ (0.53)
	=====	=====	=====	=====
Net cash income (loss) per diluted common share:				
Including the effect of unusual items	\$ (1.03)	\$ (0.11)	\$ (1.91)	\$ (2.91)
	=====	=====	=====	=====
Excluding the effect of unusual items	\$ 0.02	\$ (0.00)	\$ 0.28	\$ (0.30)
	=====	=====	=====	=====

ARRIS GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

FOR THE THREE MONTHS ENDED	FOR THE TWELVE MONTHS ENDED
DECEMBER 31,	DECEMBER 31,
2002	2001
-----	-----

OPERATING ACTIVITIES:

Net income (loss)	\$ (94,046)	\$ (13,560)	\$ (191,167)	\$ (167,731)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,741	5,346	20,400	18,089
Amortization of goodwill	--	1,184	--	4,872
Amortization of intangibles	8,708	4,292	34,494	7,012
Amortization of deferred finance fees	893	687	2,859	1,772
Amortization of unearned compensation	354	168	1,658	1,076
Loss from equity investment	--	--	--	8,607
Provision for doubtful accounts	2,678	1,724	29,744	5,820
Loss (gain) on disposal of fixed assets	5	--	322	(448)
Deferred income taxes	--	--	--	19,273
Loss (gain) on investments	12,423	(82)	14,894	788
Write-off of acquired in-process R&D	--	--	--	18,800
Impairment of goodwill	70,209	--	70,209	5,877
Impairment of fixed assets	--	--	--	14,722
Write-down of inventories	--	--	--	31,970
Sale of Powering product line	--	9,225	--	9,225
Loss (gain) on debt retirement	(1,974)	--	7,302	--
Loss (gain) on sale of Keptel product line	(2,378)	--	6,158	--
Gain on sale of Actives product line	(2,199)	--	(2,199)	--
Cumulative effect of accounting change - goodwill	--	--	57,960	--
Changes in operating assets & liabilities, net of effects of acquisitions and disposals:				
Accounts receivable	51,715	(4,250)	26,422	17,771
Other receivables	612	(4,104)	6,895	(10,049)
Inventory	12,331	50,927	53,431	125,891
Accounts payable & accrued liabilities	(24,254)	(21,443)	(36,628)	(24,644)
Income taxes recoverable	--	--	5,066	17,895
Accrued membership interest	2,750	4,110	10,409	4,110
Other, net	8,725	(1,983)	(897)	795
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	51,293	32,241	117,332	111,493
INVESTING ACTIVITIES:				
Purchases of property, plant, and equipment	(1,391)	(2,114)	(7,923)	(9,556)
Cash proceeds from sale of property & equipment	--	--	--	1,061
Cash proceeds from sale of Keptel product line	--	--	30,000	--
Cash proceeds from sale of Actives product line	30,000	--	30,000	--
Cash paid for acquisition	--	841	(874)	(6,852)
Cash proceeds from sale of investment	--	--	60	--
Other	(50)	(2,430)	(50)	(3,930)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	28,559	(3,703)	51,213	(19,277)
FINANCING ACTIVITIES:				
Borrowings under credit facilities	--	108,959	--	302,726
Reductions in borrowings under credit facilities	--	(136,222)	--	(391,726)
Payments on capital lease obligations	(253)	--	(903)	--
Payments on debt obligations	(73,737)	--	(73,737)	--
Deferred finance costs paid	(1,375)	(1,186)	(1,725)	(7,813)
Repurchase of stock units	(115)	--	(115)	--
Proceeds from issuance of stock	--	253	1,007	1,146
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(75,480)	(28,196)	(75,473)	(95,667)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,372	342	93,072	(3,451)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	94,037	4,995	5,337	8,788
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 98,409	\$ 5,337	\$ 98,409	\$ 5,337

ARRIS GROUP, INC.
SCHEDULE OF UNUSUAL ITEMS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	2002	2001	2002	2001
	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,	DECEMBER 31,
	-----	-----	-----	-----
NET INCOME (LOSS), INCLUDING UNUSUAL ITEMS	\$ (94,046)	\$ (13,560)	\$ (191,167)	\$ (167,731)
UNUSUAL ITEMS:				
Impacting gross profit				
Inventory write-offs	--	--	2,144	8,534
Severance related to workforce reduction	106	--	1,090	1,275
Gigared write-off	--	2,779	--	2,779
Impacting operating (loss) income				
Restructuring and impairment charges	7,113	4,000	7,113	11,602
Write-off of acquired in-process R&D	--	--	--	18,800
Severance related to workforce reduction	1,352	--	3,959	3,756
Allowance for Adelphia receivable	--	--	18,893	--
Gain from sale of Adelphia receivables	--	--	(4,001)	--
Impairment of goodwill	70,209	--	70,209	--
Impacting discontinued operations				
Inventory write-offs	--	--	--	25,134
Gigared write-off	--	1,609	--	1,609
One-time warranty expense for specific product	--	--	--	4,700
Restructuring and impairment charges	2,378	--	2,378	24,939
Severance related to workforce reduction	--	--	67	--
Loss (gain) on sale of Keptel product line	(2,378)	--	6,158	--
Gain on sale of Actives product line	(2,199)	--	(2,199)	--
Allowance for Adelphia receivable	--	--	1,301	--
Gain from sale of Adelphia receivables	--	--	(276)	--
Related tax effect on all items	--	--	--	(1,949)
Impacting net (loss) income				
(Gain) loss on debt retirement	(1,974)	--	7,302	--
Losses on investments	12,423	(82)	14,076	767
Write-off of deferred finance fees	--	--	--	1,853

Valuation reserves adjustment for deferred taxes	--	--	--	38,117
Related tax effect on all items	--	--	--	(2,416)
Cumulative effect of accounting change - goodwill	--	--	57,960	--
Income tax benefit due to change in tax law	--	--	(6,800)	--
NET EFFECT OF UNUSUAL ITEMS	87,030	8,306	179,374	139,500
NET INCOME (LOSS), EXCLUDING UNUSUAL ITEMS	\$ (7,016)	\$ (5,254)	\$ (11,793)	\$ (28,231)

ARRIS GROUP, INC.
SCHEDULE OF CASH EARNINGS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

	FOR THE THREE MONTHS ENDED DECEMBER 31,		FOR THE TWELVE MONTHS ENDED DECEMBER 31,	
	2002	2001	2002	2001
INCLUDING UNUSUAL ITEMS				
Net income (loss)	\$ (94,046)	\$ (13,560)	\$ (191,167)	\$ (167,731)
Amortization of goodwill and intangibles	8,708	5,476	34,494	11,884
Cash earnings	\$ (85,338)	\$ (8,084)	\$ (156,673)	\$ (155,847)
Cash EPS, including unusual items	\$ (1.03)	\$ (0.11)	\$ (1.91)	\$ (2.91)
Weighted average common shares - diluted	82,666	75,398	81,934	53,624
EXCLUDING UNUSUAL ITEMS				
Net income (loss)	\$ (94,046)	\$ (13,560)	\$ (191,167)	\$ (167,731)
Unusual items, net of taxes:				
Allowance for Adelphia receivables	--	--	20,194	--
Gain on sale of Adelphia receivables	--	--	(4,277)	--
Severance related to workforce reduction	1,458	--	5,116	5,031
Write-down of inventory	--	--	2,144	33,668
Losses on investments	12,423	(82)	14,076	767
Write-off of assets related to Argentinean customer	--	4,388	--	4,388
One-time warranty expense for specific product	--	--	--	4,700
Write-off of in-process R&D	--	--	--	18,800
Loss on sale of Keptel product line	(2,378)	--	6,158	--
Gain on sale of Actives product line	(2,199)	--	(2,199)	--
Loss (gain) on debt retirement	(1,974)	--	7,302	--
Restructuring and impairment charges	9,491	4,000	9,491	36,541
Impairment of goodwill	70,209	--	70,209	--
Income tax benefit due to change in tax law	--	--	(6,800)	--
Valuation reserves adjustment for deferred taxes	--	--	--	38,117
Cumulative effect of accounting change - goodwill	--	--	57,960	--
Write-off of deferred finance fees	--	--	--	1,853
Related tax effect of above items	--	--	--	(4,365)
Net loss before unusual items	(7,016)	(5,254)	(11,793)	(28,231)
Amortization of goodwill and intangibles	8,708	5,476	34,494	11,884
Cash earnings excluding unusual items	\$ 1,692	\$ 222	\$ 22,701	\$ (16,347)
Cash EPS, excluding unusual items	\$ 0.02	\$ 0.00	\$ 0.28	\$ (0.30)
Weighted average common shares - basic and diluted	82,666	75,398	81,934	53,624

ARRIS GROUP, INC.
SUPPLEMENTAL CONSOLIDATED STATEMENTS OF OPERATIONS
WITHOUT THE EFFECT OF IMPLEMENTATION OF SFAS 144 ON DISCONTINUED OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE DATA)

THREE MONTHS ENDED
DECEMBER 31,

TWELVE MONTHS ENDED
DECEMBER 31,

	2002	2001	2002	2001
Net sales	\$ 137,407	\$ 183,538	\$ 720,659	\$ 747,670
Cost of sales	91,974	133,196	486,249	628,700
Gross profit	45,433	50,342	234,410	118,970
Operating expenses:				
Selling, general, administrative and development	42,263	49,602	220,846	165,670
In-process R&D write-off	--	--	--	18,800
Restructuring and impairment charges	9,491	4,000	9,491	36,541
Loss (gain) on sale of product line	(4,577)	--	3,959	--
Impairment of goodwill	70,209	--	70,209	--
Amortization of goodwill	--	1,184	--	4,872
Amortization of intangibles	8,708	4,292	34,494	7,012
	126,094	59,078	338,999	232,895
Operating profit (loss)	(80,661)	(8,736)	(104,589)	(113,925)
Interest expense	966	1,825	5,529	9,315
Membership interest	2,750	2,501	10,409	4,110
Loss (gain) on debt retirement	(1,974)	--	7,302	--
Loss (gain) on investments	12,423	(82)	14,894	767
Other (income) expense, net	(780)	580	(2,716)	10,142
Income (loss) before income taxes	(94,046)	(13,560)	(140,007)	(138,259)
Income tax (benefit) expense	--	--	(6,800)	27,619
Net income (loss) before extraordinary loss and cumulative effect of accounting change	(94,046)	(13,560)	(133,207)	(165,878)
Extraordinary loss	--	--	--	1,853
Cumulative effect of accounting change - goodwill	--	--	57,960	--
Net income (loss)	\$ (94,046)	\$ (13,560)	\$ (191,167)	\$ (167,731)
Net income (loss) per common share				
Basic:				
Income (loss) before cumulative effect	\$ (1.14)	\$ (0.18)	\$ (1.63)	\$ (3.09)
Extraordinary loss	--	--	--	(0.03)
Cumulative effect of accounting change	--	--	(0.71)	--
Basic: Net income (loss)	\$ (1.14)	\$ (0.18)	\$ (2.33)	\$ (3.13)
Diluted:				
Income (loss) before cumulative effect	\$ (1.14)	\$ (0.18)	\$ (1.63)	\$ (3.09)
Extraordinary loss	--	--	--	(0.03)
Cumulative effect of accounting change	--	--	(0.71)	--
Diluted: Net income (loss)	\$ (1.14)	\$ (0.18)	\$ (2.33)	\$ (3.13)
Weighted average common shares				
Basic	82,666	75,398	81,934	53,624
Diluted	82,666	75,398	81,934	53,624

SUPPLEMENTAL INFORMATION TO THE STATEMENTS OF OPERATIONS:
Excluding the effects of unusual items - see attached page for details

Gross profit	\$ 45,539	\$ 54,730	\$ 237,644	\$ 163,001
Operating income (loss)	\$ (4,080)	\$ (348)	\$ 2,247	\$ (10,797)
Net income (loss)	\$ (7,016)	\$ (5,254)	\$ (11,793)	\$ (28,231)
Net loss per common share:				
Basic and diluted	\$ (0.08)	\$ (0.07)	\$ (0.14)	\$ (0.53)
Net cash income (loss) per common share:				
Basic and diluted - Including the effects of unusual items	\$ (1.03)	\$ (0.11)	\$ (1.91)	\$ (2.91)
Basic and diluted - Excluding the effects of unusual items	\$ 0.02	\$ 0.00	\$ 0.28	\$ (0.30)