

WESCO DISTRIBUTION INC

Form 424B3

August 15, 2006

Table of Contents

Filed Pursuant to  
Rule 424(b)(3)  
Registration No. 333-133422

PROSPECTUS

**\$150,000,000**  
**WESCO Distribution, Inc.**  
**7.50% Senior Subordinated Notes due 2017**

We issued an aggregate principal amount of \$150,000,000 of our 7.50% Senior Subordinated Notes due 2017 (the "exchange notes"), which have been registered under the Securities Act of 1933, as amended, on July 13, 2006 in exchange for an equal aggregate principal amount of our 7.50% Senior Subordinated Notes due 2017 (the "initial notes," and, together with the exchange notes, the "notes"), which were not registered under the Securities Act.

The notes will mature on October 15, 2017. Interest is payable on the notes on April 15 and October 15 of each year.

The notes are our senior subordinated obligations and rank equally with all of our unsecured senior subordinated indebtedness. Our obligations under the notes are guaranteed by WESCO International, Inc., our parent company, on an unsecured senior basis, but not by any of WESCO International's other direct or indirect subsidiaries.

This prospectus has been prepared for and is to be used in connection with resales by broker-dealers which received notes for their own respective accounts. Such sales will be made at prices related to prevailing market prices at the time of the sale. We will not receive any of the proceeds of such sales.

**For a discussion of certain risk factors you should consider before investing in notes, see "Risk Factors" beginning on page 12 of this prospectus.**

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

THE DATE OF THIS PROSPECTUS IS AUGUST 14, 2006.

---

## TABLE OF CONTENTS

	<b>Page</b>
<u>Notice to New Hampshire Residents Only</u>	ii
<u>Forward-Looking Information</u>	iii
<u>Available Information</u>	iii
<u>Summary</u>	1
<u>Risk Factors</u>	12
<u>Use of Proceeds</u>	18
<u>Capitalization</u>	18
<u>Selected Consolidated Financial Data</u>	19
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>Quantitative and Qualitative Disclosure about Market Risks</u>	34
<u>Business</u>	35
<u>Properties</u>	46
<u>Legal Proceedings</u>	47
<u>Management</u>	48
<u>Executive Compensation</u>	50
<u>Security Ownership</u>	55
<u>Description of Other Indebtedness</u>	56
<u>Description of the Notes</u>	57
<u>Book-Entry; Delivery and Form</u>	92
<u>Certain Material U.S. Federal Income and Estate Tax Considerations</u>	96
<u>Plan of Distribution</u>	99
<u>Legal Matters</u>	100
<u>Experts</u>	100
<u>Index to Consolidated Financial Statements</u>	F-1

WESCO Distribution, Inc. is a Delaware corporation and a wholly owned subsidiary of WESCO International, Inc., a Delaware corporation. WESCO Distribution and WESCO International were each incorporated in 1993. The principal executive offices of WESCO Distribution and WESCO International are each located at 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania 15219, and the telephone number at that address is (412) 454-2200. Our website is located at [www.wesco.com](http://www.wesco.com). The information in our website is not part of this prospectus.

We currently have trademarks and service marks registered with the U.S. Patent and Trademark Office. The registered trademarks and service marks include: WESCO®, our corporate logo, the running man logo, the running man in box logo and The Extra Effort People®. In 2005, two trademarks, CB Only the Best is Good Enough and LADD, were added as a result of the acquisition of Carlton-Bates Company. Certain of these and other trademark and service mark registration applications have been filed in various foreign jurisdictions, including Canada, Mexico, the United Kingdom, Singapore and the European Community.

Neither WESCO Distribution, WESCO International nor any of their respective representatives are making any representation to you regarding the legality of an investment by you under applicable laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of an investment in the notes.



**Table of Contents**

In making an investment decision, you must rely on your own examination of our business, including the merits and risks involved. No person has been authorized to give any information or any representation concerning us or the notes (other than as contained in this prospectus), and, if given or made, that other information or representation should not be relied upon as having been authorized by us. Neither WESCO Distribution, WESCO International nor any of their respective representatives are making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

**NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY**

**Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Revised Statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.**

**Table of Contents**

**FORWARD-LOOKING INFORMATION**

This prospectus contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve certain unknown risks and uncertainties, including, among others, those contained in this prospectus under the captions Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Business. When used in this prospectus, the words anticipates, plans, believes, estimates, intends, expects, projects, will and other similar expressions may identify forward-looking statements, although not all forward-looking statements contain such words. Such statements, including, but not limited to, our statements regarding business strategy, growth strategy, productivity and profitability enhancement, competition, new product and service introductions and liquidity and capital resources are based on management's beliefs, as well as on assumptions made by and information currently available to, management, and involve various risks and uncertainties, some of which are beyond our control. Our actual results could differ materially from those expressed in any forward-looking statement made by or on our behalf. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will in fact prove to be accurate. We have undertaken no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**AVAILABLE INFORMATION**

WESCO International files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document WESCO International files at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. WESCO International's SEC filings are also available to the public from the SEC's web site at [www.sec.gov](http://www.sec.gov) or from our website at [www.wesco.com](http://www.wesco.com). However, the information on our web site does not constitute a part of this prospectus.

**Table of Contents**

**SUMMARY**

*This summary provides an overview of selected information and does not contain all the information you should consider. Because this is only a summary, it may not contain all of the information that may be important to you in deciding whether to invest in notes. Before making an investment decision, you should carefully read this entire prospectus, including the financial data and information contained in this prospectus and the section of this prospectus entitled Risk Factors.*

*Unless the context otherwise requires, in this prospectus, the terms the Company, we, us, our, WESCO, and WESCO Distribution refer to WESCO Distribution, Inc., the issuer of the notes and a wholly owned subsidiary of WESCO International, Inc., and its subsidiaries; and WESCO International refers to WESCO International, Inc., the parent of WESCO Distribution and the guarantor of the notes. The principal asset of WESCO International is all of the outstanding capital stock of WESCO Distribution.*

**WESCO Distribution, Inc.**

With sales of \$4.4 billion in 2005 and \$2.6 billion in the six months ended June 30, 2006, we are a leading North American provider of electrical construction products and electrical and industrial maintenance, repair and operating supplies, commonly referred to as MRO. We believe we are the largest distributor in terms of sales in the estimated \$74 billion\* U.S. electrical wholesale distribution industry based upon published industry sources and our assessment of peer company 2005 sales. We believe we are also the largest provider of integrated supply services for MRO goods and services in the United States.

Our distribution capability combined with integrated supply solutions and outsourcing services are designed to fulfill a customer's MRO procurement needs. We have more than 370 full service branches and seven distribution centers located in the United States, Canada, Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. We serve approximately 100,000 customers worldwide, offering more than 1,000,000 products from more than 24,000 suppliers utilizing a highly automated, proprietary electronic procurement and inventory replenishment system. Our diverse customer base includes a wide variety of industrial companies; contractors for industrial, commercial and residential projects; utility companies; and commercial, institutional and governmental customers. Our top ten customers accounted for approximately 14% of our sales in 2005. Our leading market positions, experienced workforce, extensive geographic reach, broad product and service offerings and acquisition program have enabled us to grow our market position.

**Industry Overview**

The electrical distribution industry serves customers in a number of markets including the industrial, electrical contractors, utility, government and institutional markets. Electrical distributors provide logistical and technical services for customers along with a wide range of products typically required for the construction and maintenance of electrical supply networks, including wire, lighting, distribution and control equipment and a wide variety of electrical supplies. Many customers demand that distributors provide a broader and more complex package of services as they seek to outsource non-core functions and achieve cost savings in purchasing, inventory and supply chain management.

\*Source: Electrical wholesale estimated industry sales per *Electrical Wholesaling (November, 2005)* based upon revised U.S. Census Bureau Survey segregating electrical wholesale vs. electrical retail sales. *Electrical Wholesaling's* 2004 estimated industry sales of \$83 billion had aggregated \$67 billion wholesale and \$16 billion retail sales.

**Table of Contents**

**Electrical Distribution.** According to *Electrical Wholesaling Magazine*, the U.S. electrical wholesale distribution industry had forecasted sales of approximately \$74 billion in 2005. According to published sources\*, our industry has grown at an approximate 5% compounded annual rate over the past 20 years. This expansion has been driven by general economic growth, increased price levels for key commodities, increased use of electrical products in businesses and industries, new products and technologies and customers who are seeking to more efficiently purchase a broad range of products and services from a single point of contact, thereby eliminating the costs and expenses of purchasing directly from manufacturers or multiple sources. The U.S. electrical distribution industry is highly fragmented. In 2004, the latest year for which market share data is available, the four national distributors, including us, accounted for approximately 18% of estimated total industry sales.

**Integrated Supply.** The market for integrated supply services has grown rapidly in recent years. Growth has been driven primarily by the desire of large industrial companies to reduce operating expenses by implementing comprehensive third-party programs, which outsource cost-intensive procurement, stocking and administrative functions associated with the purchase and consumption of MRO supplies. For some of our customers, we believe these costs can account for up to 35% of the total costs for MRO products and services. We believe that significant opportunities exist for further expansion of integrated supply services, as the total potential in the United States for purchases of industrial MRO supply and services through all channels is currently estimated to be approximately \$380 billion.

**Business Strategy**

We believe we are the leading provider of electrical products and MRO supplies and services to companies in North America and selected international markets. Our goal is to grow earnings at a faster rate than sales by continuing to focus on margin enhancement and continuous productivity improvement. Our growth strategy utilizes our existing strengths and focuses on developing new initiatives and programs to position us to grow at a faster rate than the industry.

**Enhance Our Leadership Position in Electrical Distribution.** We will continue to capitalize on our extensive market presence and brand equity in the WESCO name to grow our market position in electrical distribution. As a result of our geographical coverage, effective information systems and value-added products and services, we believe we have become a leader in serving several important and growing markets including:

industrial customers with large, complex plant maintenance operations, many of which require a national multi-site service solution for their electrical product needs;

large contractors for major industrial and commercial construction projects;

the electric utility industry; and

manufacturers of factory-built homes, recreational vehicles and other modular structures.

We are focusing our sales and marketing efforts in three primary areas:

expanding our product and service offerings to existing customers in industries we currently serve;

targeting new customers in industries we currently serve; and

\*Source: Electrical wholesale estimated industry sales per *Electrical Wholesaling (November, 2005)* based upon revised U.S. Census Bureau Survey segregating electrical wholesale vs. electrical retail sales. *Electrical Wholesaling*'s 2004 estimated industry sales of \$83 billion had aggregated \$67 billion wholesale and \$16 billion retail sales.



**Table of Contents**

targeting markets that provide significant growth opportunities, such as multi-site retail construction, education and healthcare facilities, original equipment manufacturers ( OEM ) and regional and national contractors.

***Continue to Grow Our Premier Position in National Accounts.*** From 2002 through 2005, revenue from our national accounts program increased at a compound annual growth rate of 10%. We plan to continue to invest in the expansion of this program. Through our national accounts program, we coordinate electrical MRO procurement and purchasing activities across multiple locations, primarily for large industrial and commercial companies and for electric utilities. We have well-established relationships with more than 290 companies, providing us with a recurring base of revenue through multi-year agreements with these companies. Our objective is to continue to increase revenue from our national account customers by:

offering existing national account customers new products and services and serving additional customer locations;

extending certain established national account relationships to include our integrated supply services; and

expanding our customer base by leveraging our existing industry expertise in markets served to enter into new markets.

***Focus on Large Construction Projects.*** We intend to increase our customer base, where we have targeted new construction accounts, with a focus on large commercial, industrial and institutional projects. We seek to secure new major project contracts through:

active national marketing of our demonstrated project management capabilities;

further development of relationships with leading regional and national contractors and engineering firms; and

close coordination with multi-location contractor customers on their major project requirements.

***Extend Our Leadership Position in Integrated Supply Services.*** We believe we are the largest provider of integrated supply services for MRO goods and services in the United States. We provide a full complement of outsourcing solutions, focusing on improving the supply chain management process for our customers' indirect purchases. Our integrated supply programs replace the traditional multi-vendor, resource-intensive procurement process with a single, outsourced, fully automated process capable of managing all MRO and related service requirements. Our solutions range from timely product delivery to assuming full responsibility for the entire procurement function. Our customers include some of the largest industrial companies in the United States. We plan to expand our leadership position as the largest integrated supply services provider in the United States by building upon established relationships within our large customer base and premier supplier network, to meet customer's continued interest in outsourcing.

***Gain Share in Fragmented Local Markets.*** Significant opportunities exist to gain market share in highly fragmented local markets. We intend to increase our market share in key geographic markets through a combination of increased sales and marketing efforts at existing branches, acquisitions that expand our product and customer base and new branch openings. To promote this growth, we have a compensation system for branch managers that encourage them to increase sales and optimize business activities in their local markets, including managing the sales force, configuring inventories, targeting potential customers for marketing efforts and tailoring local service options.

***Expand our LEAN Initiative.*** LEAN is a company-wide, strategic initiative to drive continuous improvement across the entire enterprise, including sales, operations and administra-



**Table of Contents**

tive processes. The basic principles behind LEAN are to rapidly identify and implement improvements through simplification, elimination of waste and reducing errors throughout a defined process. We have been highly successful in applying LEAN in a distribution environment and have developed and deployed numerous initiatives through the Kaizen approach. The initiatives are primarily centered around our branch operations and target nine key areas: sales, pricing, warehouse operations, transportation, purchasing, inventory, accounts receivable, accounts payable and administrative processes. In 2006, our objective is to continue to implement the initiatives across our branch locations and headquarters operations, consistent with our long-term strategy of continuously refining and improving our processes to achieve both sales and operational excellence.

***Pursue Strategic Acquisitions.*** Since 1995, we have completed and successfully integrated 27 acquisitions. Our most recent acquisitions were completed in July and September 2005. We believe that the highly fragmented nature of the electrical and industrial MRO distribution industry will continue to provide us with acquisition opportunities. We expect that any future acquisitions will be financed with internally generated funds, additional debt and/or the issuance of equity securities. However, our ability to make acquisitions will be subject to our compliance with certain conditions under the terms of our revolving credit facility. See Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, for a further description of the revolving credit facility.

***Expand Product and Service Offerings.*** We have developed a service capability to assist customers in improving their internal productivity and overall cost position. This service, which we call Cost Reduction Solutions, is based on applying LEAN principles and practices in our customers' work environment. To date, we have worked with manufacturers, assemblers and contractors to enhance supply chain operations and logistics. Our work on productivity projects, in cooperation with our customers, significantly increases the breadth of products that can be supplied and creates fee-for-service opportunities in kitting, assembly and warehouse operations. Additionally, we have demonstrated our ability to introduce new products and services to meet existing customer demands and capitalize on new market opportunities. For example, we developed the platform to sell integrated lighting control and power distribution equipment in a single package for multi-site specialty retailers, restaurant chains and department stores. These are strong growth markets where our national accounts strategies and logistics infrastructure provide significant benefits for our customers.

***Capitalize on Our Information System Capabilities.*** We intend to utilize our sophisticated information technology capabilities to drive increased sales performance and market share. Our information systems support targeted direct mail marketing campaigns, sales promotions, sales productivity and profitability assessments and coordination with suppliers and overall supply chain programs that improve customer profitability and enhance our working capital productivity. Our information systems provide us with detailed, actionable information across all facets of our broad network, allowing us to quickly and effectively identify and act on profitability and efficiency-related initiatives.

***Expand Our International Operations.*** Our international sales, the majority of which are in Canada, accounted for approximately 13% in 2005 and in the six months ended June 30, 2006, respectively. We believe that there is significant additional demand for our products and services outside the United States and Canada. Many of our multinational domestic customers are seeking distribution, integrated supply and project management solutions globally. We follow our established customers and pursue business that we believe utilizes and extends our existing capabilities. We believe this strategy of working through well-developed customer and supplier relationships significantly reduces risk and provides the opportunity to establish profitable incremental business. We currently have seven locations in Mexico. Additionally, our locations in Aberdeen, Scotland and London, England support our sales efforts in Europe and the former

**Table of Contents**

Soviet Union. We also have operations in Nigeria to serve West Africa, an office in Singapore to support our operations in Asia and an office in United Arab Emirates to serve the Middle East.

**Competitive Strengths**

We believe the following strengths are central to the successful execution of our business strategy:

**Market Leadership.** Our ability to manage large construction projects, complex multi-site plant maintenance programs, procurement projects that require special sourcing, technical advice, logistical support and locally based service has enabled us to establish leadership positions in our principal markets. We have utilized these skills to generate significant revenues in industries with intensive use of electrical and MRO products, including electrical contracting, utilities, OEM, process manufacturing and other commercial, institutional and governmental entities. We also have extended our position within these industries to expand our customer base.

**Value-added Services.** We are a leader in providing a wide range of services and procurement solutions that draw on our product knowledge, supply and logistics expertise and systems capabilities, enabling our customers with large operations and multiple locations to reduce supply chain costs and improve efficiency. Our expansive geographical coverage is essential to our ability to provide these services. We have more than 370 branches to complement our national sales and marketing activities with local customer service, product information and technical support, order fulfillment and a variety of other on-site services. These programs include:

**National Accounts** we coordinate product supply and materials management activities for MRO supplies, project needs and direct material for national and regional customers with multiple locations who seek purchasing leverage through a single electrical products provider. Regional and national contractors and top engineering and construction firms that specialize in major projects such as airport expansions, power plants and oil and gas facilities are also a focus group for our national accounts program; and

**Integrated Supply** we design and implement programs that enable our customers to significantly reduce the number of MRO suppliers they use through services that include highly automated, proprietary electronic procurement and inventory replenishment systems and on-site materials management and logistics services.

**Broad Product Offering.** We provide our customers with a broad product selection consisting of more than 1,000,000 electrical, industrial, data communications, MRO and utility products sourced from more than 24,000 suppliers. Our broad product offering and stable source of supply enables us to meet virtually all of a customer's electrical product and MRO requirements.

**Extensive Distribution Network.** We are a full-line distributor of electrical supplies and equipment with operations in the United States, Canada, Mexico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. We operate more than 370 branch locations and eight distribution centers (six in the United States and two in Canada). This extensive network, which would be extremely difficult and expensive to duplicate, allows us to:

maintain local sourcing of customer service, technical support and sales coverage;

tailor branch products and services to local customer needs;

offer multi-site distribution capabilities to large customers and national accounts; and

provide same-day deliveries.

**Table of Contents**

***Low Cost Operator.*** Our competitive position has been enhanced by our low cost position, which is based on:

extensive use of automation and technology;

centralization of functions such as purchasing, accounting and information systems;

strategically located distribution centers;

purchasing economies of scale; and

incentive programs that increase productivity and encourage entrepreneurship.

As a result of these factors, we believe that our operating costs as a percentage of sales is one of the lowest in our industry. Our selling, general and administrative expenses as a percentage of revenues for the six months ended June 30, 2006 decreased to 13.0% from 13.9% for 2005, significantly below our peer group 2004 average of approximately 20%, according to the National Association of Electrical Distributors. Our low cost position enables us to generate a significant amount of net cash flow, as the amount of capital investment required to maintain our business is relatively low. Consequently, more of the cash we generate is available for debt reduction, continued investment in the growth of the business and strategic acquisitions.

**Table of Contents**

**The Notes**

The following summary contains basic information about the notes. It does not contain all of the information that may be important to you. For a more complete description of the terms of the notes, see Description of the Notes.

Issuer	WESCO Distribution, Inc.
Notes Outstanding	\$150,000,000 aggregate principal amount of 7.50% Senior Subordinated Notes due 2017.
Maturity	October 15, 2017.
Interest	The notes accrue interest at the rate of 7.50% per annum and are payable in cash semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2006. The notes accrue interest from April 15, 2006.
Ranking	<p>The notes are our unsecured senior subordinated obligations and rank equally in right of payment with all of our existing and future senior subordinated indebtedness and senior to our future subordinated indebtedness. The notes are subordinated to our existing and future senior indebtedness and effectively subordinated to our existing and future secured indebtedness to the extent of the value of the related collateral. The notes are structurally subordinated to indebtedness and other liabilities of our subsidiaries. As of June 30, 2006:</p> <p style="padding-left: 40px;">we had outstanding senior indebtedness of approximately \$55 million, of which approximately \$48 million was secured indebtedness (exclusive of the original notes and unused commitments under our revolving credit facility);</p> <p style="padding-left: 40px;">we had no outstanding senior subordinated indebtedness other than the notes and our guarantee of the \$150 million in aggregate principal amount of the 2.625% Convertible Senior Debentures due 2025 (the Debentures ) of WESCO International and no outstanding indebtedness that would be subordinate or junior in right of repayment to the notes; and</p> <p style="padding-left: 40px;">our subsidiaries had no indebtedness, excluding guarantees of approximately \$48 million of borrowings under our mortgage financing facility (other than trade payables and other liabilities incurred in the ordinary course of business).</p> <p>See Risk Factors and Description of the Notes Ranking.</p>
Optional Redemption	Except as described below, we will not have the option of redeeming the notes prior to October 15, 2010. On or after October 15, 2010, we will have the option of redeeming the notes, in whole or in part, at the redemption prices described in this prospectus, together with accrued and unpaid interest and additional interest, if any, to the date of

**Table of Contents**

redemption. At any time before October 15, 2008, we may redeem up to 35% of the notes with the proceeds of certain equity offerings by us or WESCO International at the redemption price set forth under Description of the Notes Optional Redemption. See Description of the Notes Optional Redemption.

**Change of Control**

Upon the occurrence of a change of control, each holder of notes will have the right to require us to repurchase all or any part of such holder's notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase. See Description of the Notes Change of Control.

**Guarantee**

The notes are unconditionally guaranteed by WESCO International on an unsecured senior basis. The guarantee ranks equally in right of payment with all existing and future senior unsecured indebtedness of WESCO International. The guarantee is effectively subordinated to any secured indebtedness of WESCO International, including the guarantee of senior indebtedness under our revolving credit facility, to the extent of the value of the related collateral, and is structurally subordinated to indebtedness and other liabilities of WESCO International's subsidiaries, other than the senior subordinated indebtedness of WESCO Distribution, including the notes.

As of June 30, 2006, WESCO International had approximately \$300 million of senior indebtedness outstanding (excluding its guarantee of a mortgage financing facility under which approximately \$48 million was outstanding), of which none was secured indebtedness.

The notes are not guaranteed by any entity other than WESCO International. As of June 30, 2006, the notes would have been structurally junior to approximately \$227 million of indebtedness and other liabilities (including trade payables) of these non-guarantor subsidiaries. The non-guarantor subsidiaries generated approximately \$564 million of our net sales for the six months ended June 30, 2006 and held approximately \$1.3 billion of our consolidated assets at June 30, 2006. See Risk Factors Risks Relating to the Offering.

**Certain Covenants**

The indenture governing the notes contains covenants that, subject to certain exceptions, limit the ability of us and our subsidiaries to:

incur additional indebtedness and issue disqualified stock and preferred stock;

pay dividends or make certain other restricted payments or investments;

create restrictions on dividends or other payments by our subsidiaries;

**Table of Contents**

merge, consolidate, or sell all or substantially all of our assets;  
create liens on assets;  
enter into certain transactions with affiliates; and  
incur indebtedness senior to the notes but junior to senior indebtedness.

These covenants are subject to a number of important exceptions and qualifications. See [Description of the Notes](#) [Certain Covenants](#).

Use of Proceeds                      We will not receive any proceeds from the resale of notes. See [Use of Proceeds](#).

Absence of a Public Market for the Notes                      We cannot assure you that any active or liquid market will develop for the notes.

**Risk Factors**

Prospective investors are urged to read the information set forth under the caption [Risk Factors](#) in this prospectus for a discussion of certain risks associated with an investment in the notes.



**Table of Contents****Summary Consolidated Financial Data**

The table below sets forth certain of WESCO International's historical consolidated financial data as of and for each of the periods indicated. The financial data for the years ended December 31, 2003, 2004 and 2005, and as of December 31, 2004 and 2005, is derived from WESCO International's audited consolidated financial statements which appear elsewhere in this prospectus. The financial data as of December 31, 2003 is derived from WESCO International's audited consolidated financial statements which do not appear in this prospectus. The financial data for the six-month periods ended June 30, 2005 and 2006, and as of June 30, 2005 and 2006, is derived from WESCO International's unaudited condensed consolidated financial statements, which are included elsewhere in this prospectus. In WESCO International's opinion, such unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial data for such periods. The results for the six months ended June 30, 2006 are not necessarily indicative of the results to be achieved for the year ending December 31, 2006 or for any other future period.

The data below should be read in conjunction with Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and WESCO International's consolidated financial statements and the notes thereto, which appear elsewhere in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
(In millions, except share and per share data and ratios)					
<b>Income Statement Data:</b>					
Net sales(1)	\$ 3,286.8	\$ 3,741.3	\$ 4,421.1	\$ 2,052.9	\$ 2,601.5
Gross profit(2)	610.1	712.1	840.7	379.8	523.7
Selling, general and administrative expenses	501.5	544.5	612.8	284.7	339.4
Depreciation and amortization	22.5	18.1	18.6	7.6	12.6
Income from operations	86.1	149.5	209.3	87.5	171.7
Interest expense, net	42.3	40.8	30.2	16.0	12.0
Loss on debt extinguishment(3)	0.2	2.6	14.9	10.1	
Other expenses(4)	4.5	6.6	13.3	5.0	11.4
Income before income taxes	39.1	99.5	150.9	56.4	148.3
Provision for income taxes(5)	9.1	34.6	47.4	17.6	48.7
Net income	\$ 30.0	\$ 64.9	\$ 103.5	\$ 38.8	\$ 99.6
<b>Earnings per common share</b>					
Basic	\$ 0.67	\$ 1.55	\$ 2.20	\$ 0.83	\$ 2.06
Diluted	0.65	1.47	2.10	\$ 0.79	\$ 1.91

Weighted average  
common shares  
outstanding

Basic	44,631,459	41,838,034	47,085,524	46,839,115	48,334,545
Diluted	46,349,082	44,109,153	49,238,436	49,093,891	52,124,312

**Other Financial Data:**

Capital expenditures	\$	8.4	\$	12.1	\$	14.2	\$	7.9	\$	8.7
Net cash provided by operating activities(6)		35.8		21.9		295.1		135.2		59.6
Net cash used by investing activities		(9.2)		(46.3)		(291.0)		(8.9)		(20.1)
Net cash provided (used) by financing activities(6)		(22.3)		30.7		(17.0)		(145.6)		(23.7)
Ratio of earnings to fixed charges(7)		1.7x		2.9x		4.7x		3.7x		9.2x

**Table of Contents**

	Year Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
<b>(In millions, except share and per share data and ratios)</b>					
<b>Balance Sheet Data:</b>					
Total assets	\$ 1,161.2	\$ 1,356.9	\$ 1,651.2	\$ 1,279.5	\$ 1,765.9
Total long-term debt (including current portion)	422.2	417.6	403.6	269.2	354.8
Long-term obligations(8)	53.0	2.0	4.3	1.0	
Stockholders equity	167.7	353.6	491.5	405.7	629.8

- (1) The operating results of the business of Fastec Industrial Corp., acquired on July 29, 2005, and Carlton-Bates Company, acquired on September 29, 2005, have been included in the consolidated financial data and represented, in the aggregate, sales of \$104.5 million for the year ended December 31, 2005 and \$214.0 million for the six months ended June 30, 2006.
- (2) Excludes depreciation and amortization.
- (3) Represents charges relating to the write-off of unamortized debt issuance and other costs associated with the early extinguishment of debt.
- (4) Represents costs relating to the sale of accounts receivable pursuant to our accounts receivable securitization facility (the Receivables Facility ). See Note 4 to WESCO International s audited consolidated financial statements included elsewhere in this prospectus.
- (5) Benefits of \$2.6 million in 2003 from the resolution of prior year tax contingencies resulted in an unusually low provision for income taxes.
- (6) In the first quarter of 2006, the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standard 123 (revised 2004), *Share-Based Payment* and SEC staff Accounting Bulletin No. 107, *Share-Based Payment*, requiring the measurement and recognition of all stock-based compensation under the fair value method were adopted.
- (7) For purposes of calculating the ratio of earnings to fixed charges, earnings represents income before income taxes plus fixed charges. Fixed charges consist of interest expense, including amortization of debt issuance costs, and the portion of rental expense that management believes is representative of the interest component of rental expense.
- (8) Includes amounts due under earnout agreements for past acquisitions.

**Table of Contents**

**RISK FACTORS**

*You should consider carefully, in addition to the other information contained in this prospectus, the following factors before deciding whether to invest in notes.*

**Risks Relating to Our Business**

**Our debt agreements contain restrictions that may limit our ability to operate our business.**

Our credit facilities and the indenture governing the notes contain, and any of our future debt agreements may contain, certain covenant restrictions that limit our ability to operate our business, including restrictions on our ability to:

- incur additional debt or issue guarantees;
- create liens;
- make certain investments;
- enter into transactions with our affiliates;
- sell certain assets;
- redeem capital stock or make other restricted payments;
- declare or pay dividends or make other distributions to stockholders; and
- merge or consolidate with any person.

Our credit facilities also require us to maintain specific earnings to fixed expenses and debt to earnings ratios and to meet minimum net worth requirements. In addition, our revolving credit facilities contain additional affirmative and negative covenants. Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions.

As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. In addition, our failure to comply with these covenants could result in a default under WESCO International's convertible debentures, the notes and our other debt, which could permit the holders to accelerate such debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt.

**If the financial condition of our customers declines, our credit risk could increase.**

In light of the financial stresses within the worldwide automotive industry, certain automakers and tier-one mirror customers have already declared bankruptcy or may be considering bankruptcy. Should one or more of our larger customers declare bankruptcy, it could adversely impact the collectibility of our accounts receivable, bad debt expense and net income.

**Downturns in the electrical distribution industry have had in the past, and may in the future have, an adverse effect on our sales and profitability.**

The electrical distribution industry is affected by changes in economic conditions, including national, regional and local slowdowns in construction and industrial activity, which are outside our control. Our operating results may also be adversely affected by increases in interest rates that may lead to a decline in economic activity, particularly in the construction market, while simultaneously resulting in higher interest payments under our revolving credit facility. In addition, during periods of economic slowdown such as the one we recently experienced, our credit

**Table of Contents**

losses, based on history, could increase. There can be no assurance that economic slowdowns, adverse economic conditions or cyclical trends in certain customer markets will not have a material adverse effect on our operating results and financial condition.

**An increase in competition could decrease sales or earnings.**

We operate in a highly competitive industry. We compete directly with national, regional and local providers of electrical and other industrial MRO supplies. Competition is primarily focused in the local service area and is generally based on product line breadth, product availability, service capabilities and price. Other sources of competition are buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability.

Some of our existing competitors have, and new market entrants may have, greater financial and marketing resources than us. To the extent existing or future competitors seek to gain or retain market share by reducing prices, we may be required to lower our prices for current services, thereby adversely affecting financial results. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions. In addition, it is possible that competitive pressures resulting from industry consolidation could affect our growth and profit margins compared to the industry.

**Loss of key suppliers or lack of product availability could decrease sales and earnings.**

Most of our agreements with suppliers are terminable by either party on 60 days' notice or less. Our ten largest suppliers in 2005 accounted for approximately 34% of our purchases for the period. Our largest supplier in 2005 was Eaton Corporation, through its Eaton Electrical division, accounting for approximately 12% of our purchases. The loss of, or a substantial decrease in the availability of, products from any of these suppliers, or the loss of key preferred supplier agreements, could have a material adverse effect on our business. Supply interruptions could arise from shortages of raw materials, labor disputes or weather conditions affecting products or shipments, transportation disruptions, or other reasons beyond our control. In addition, certain of our products, such as wire and conduit, are commodity-price-based products and may be subject to significant price fluctuations which are beyond our control. An interruption of operations at any of our distribution centers could have a material adverse effect on the operations of branches served by the affected distribution center. Furthermore, we cannot be certain that particular products or product lines will be available to us, or available in quantities sufficient to meet customer demand. Such limited product access could cause us to be at a competitive disadvantage.

**Acquisitions that we may undertake would involve a number of inherent risks, any of which could cause us not to realize the benefits anticipated to result.**

We have historically expanded our operations through selected acquisitions of businesses and assets. Acquisitions involve various inherent risks, such as:

uncertainties in assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;

the potential loss of key employees of an acquired business;

problems that could arise from the integration of the acquired business; and

unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition or other transaction rationale.

Any one or more of these factors could cause us not to realize the benefits anticipated to result from the acquisition of businesses or assets.

**Table of Contents**

**Goodwill and intangible assets recorded as a result of our acquisitions could become impaired.**

As of June 30, 2006, our goodwill and other intangible assets amounted to \$631.9 million, net of accumulated amortization. To the extent we do not generate sufficient cash flows to recover the net amount of any investments in goodwill and other intangible assets recorded, the investment could be considered impaired and subject to write-off. We expect to record further goodwill and other intangible assets as a result of future acquisitions we may complete. Future amortization of such other intangible assets or impairments, if any, of goodwill or intangible assets would adversely affect our results of operations in any given period.

**A disruption of our information systems could increase expenses, decrease sales or reduce earnings.**

A serious disruption of our information systems could have a material adverse effect on our business and results of operations. Our computer systems are an integral part of our business and growth strategies. We depend on our information systems to process orders, manage inventory and accounts receivable collections, purchase products, ship products to our customers on a timely basis, maintain cost-effective operations and provide superior service to our customers.

**Our business may be harmed by required compliance with anti-terrorism measures and regulations.**

Following the 2001 terrorist attacks on the United States, a number of federal, state and local authorities have implemented various security measures, including checkpoints and travel restrictions on large trucks, such as the ones that we and our suppliers use. If security measures disrupt or impede the timing of our suppliers' deliveries of the product inventory we need or our deliveries of our product to our customers, we may not be able to meet the needs of our customers or may incur additional expenses to do so.

**Risks Relating to the Notes**

**We have outstanding consolidated indebtedness of approximately \$199.1 million as of June 30, 2006. This amount of indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.**

As of June 30, 2006, we had approximately \$199.1 million of outstanding consolidated debt. This level of our debt and the related debt service requirements could have significant consequences on our future operations, including:

making it more difficult for us to meet our payment and other obligations under the notes and our other outstanding debt;

resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;

reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our credit facilities;

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

**Table of Contents**

placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes and our other debt.

Our ability to meet our payment and other obligations under our debt instruments depends on our and our subsidiaries' ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our senior subordinated indebtedness and our other debt and to fund other liquidity needs. If we or our subsidiaries are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the notes and our other debt.

**Despite our current levels of indebtedness, we may incur substantially more debt, which could further exacerbate the risks associated with our substantial indebtedness.**

Although our credit facilities contain, and the indenture regarding the notes contains, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute indebtedness as defined in the relevant agreement. If new debt is added to our current debt levels, the related risks that we now face could intensify. At June 30, 2006, we had approximately \$275 million in available borrowing capacity under our credit facilities. All borrowings under our credit facilities are senior to the notes.

**The notes are unsecured subordinated obligations.**

Our obligations under the notes are unsecured senior subordinated obligations and are subordinated to all of our existing and future senior indebtedness and effectively subordinated to our existing and future secured indebtedness to the extent of the value of the related collateral. Although the indenture contains limitations on the amount of additional indebtedness which we and our subsidiaries may incur, under certain circumstances, the amount of such indebtedness could be substantial, and such indebtedness could be senior indebtedness. By reason of such subordination, in the event of our insolvency, liquidation or other reorganization, the lenders under our revolving credit facility and other creditors who are holders of our senior indebtedness must be paid in full before the holders of the notes may be paid. Accordingly, there may be insufficient assets remaining after payment of prior claims to pay amounts due on the notes. In addition, under certain circumstances, no payments may be made with respect to the notes if a default exists with respect to our senior indebtedness. See Description of the Notes Ranking.

**WESCO International and its subsidiaries' assets remain subject to a first priority pledge under the revolving credit facility.**

Our obligations under our revolving credit facility are secured by a first priority pledge of and security interest in substantially all of the assets, except for real property, of WESCO International and its subsidiaries. If either we or WESCO International become insolvent or are liquidated, or if payment under our revolving credit facility or any other future secured indebtedness is accelerated, the lenders under our revolving credit facility or such other secured

**Table of Contents**

indebtedness will be entitled to exercise the remedies available to a secured lender under applicable law (in addition to any remedies that may be available under the instruments pertaining to the credit facility or such other secured indebtedness). Neither the notes nor the guarantee are secured. Accordingly, holders of such secured indebtedness will have a prior claim with respect to the assets securing such indebtedness. See Description of the Debentures and Other Indebtedness.

**The guarantee may be unenforceable due to fraudulent conveyance statutes, and, accordingly, you could have no claim against WESCO International.**

Although laws differ among various jurisdictions, a court could, under fraudulent conveyance laws, further subordinate or avoid the guarantees if it found that the guarantees were incurred with actual intent to hinder, delay or defraud creditors, or WESCO International did not receive fair consideration or reasonably equivalent value for the guarantee and that WESCO International was any of the following:

insolvent or rendered insolvent because of the guarantee;

engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay at maturity.

If a court voided the guarantee of WESCO International as the result of a fraudulent conveyance, or held it unenforceable for any other reason, holders of the notes would cease to have a claim against WESCO International based on the guarantee and would solely be creditors of WESCO Distribution.

**None of our subsidiaries are guarantors, and your claims will be subordinated to all of the creditors of the non-guarantor subsidiaries.**

Only WESCO International guarantees the notes. In the event of a bankruptcy, liquidation or reorganization of any of the non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those non-guarantor subsidiaries before any assets of the non-guarantor subsidiaries are made available for distribution to WESCO International or WESCO Distribution. As of June 30, 2006, the notes were structurally junior to approximately \$227 million of indebtedness and other liabilities (including trade payables) of these non-guarantor subsidiaries. The non-guarantor subsidiaries generated approximately \$564 million of our net sales for the six months ended June 30, 2006 and held approximately \$1.3 billion of our consolidated assets at June 30, 2006.

**We may be unable to repurchase the notes for cash when required by the holders, including following a change of control.**

Holders of the notes have the right to require us to repurchase the notes on specified dates or upon the occurrence of a change of control prior to maturity as described under Description of the Notes Change of Control. The occurrence of a change of control would also constitute an event of default under our credit facilities, requiring repayment of amounts outstanding thereunder, and the occurrence of a change of control would also enable holders of WESCO International's convertible senior debentures, if issued, to require WESCO International to repurchase such debentures at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest (including contingent interest and additional interest, if any). Any of our future debt agreements may contain similar provisions. We may not have sufficient funds to make the required repayments and repurchases at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the notes in cash may be limited by law or the terms of other agreements relating to our debt outstanding at the time, including our credit facilities, which will limit our ability to purchase the notes for cash in certain circumstances. If we fail to repurchase the notes in cash as required by the indenture, it would constitute an event of default under the indenture governing the notes, which, in turn, would



**Table of Contents**

constitute an event of default under our credit facilities and the indenture governing WESCO International's debentures.

**Some significant restructuring transactions may not constitute a change of control, in which case we would not be obligated to offer to repurchase the notes.**

Upon the occurrence of a change of control, you have the right to require us to offer to repurchase the notes. However, the change of control provisions will not afford protection to holders of the notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a change of control requiring us to repurchase the notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of the notes.

**Provisions of the notes could discourage an acquisition of us by a third party.**

Certain provisions of the notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a change of control, holders of the notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of \$1,000.

**There is currently no public market for the notes, and an active trading market may not develop for the notes. The failure of a market to develop for the notes could adversely affect the liquidity and value of your notes.**

A market may not develop for the notes, and there can be no assurance as to the liquidity of any market that may develop for the notes. If an active, liquid market does not develop for the notes, the market price and liquidity of the notes may be adversely affected. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price. The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for similar debt securities has been subject to disruptions that have caused volatility in prices. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our operating results, financial performance or prospects.

**Table of Contents****USE OF PROCEEDS**

We will not receive any proceeds from the resale of notes pursuant to this prospectus. The net proceeds of approximately \$145.5 million from the issuance of the original notes were used to finance, in part, our acquisition of Carlton-Bates Company ( Carlton-Bates ) and to redeem a portion of our then outstanding 9<sup>1</sup>/<sub>8</sub> % Senior Subordinated Notes due 2008 (the 2008 Notes ).

**CAPITALIZATION**

The following table sets forth WESCO International 's consolidated cash and cash equivalents and capitalization as of June 30, 2006. This table should be read in conjunction with Management 's Discussion and Analysis of Financial Condition and Results of Operations, WESCO International 's consolidated financial statements and related notes and the other information included elsewhere in this prospectus.

	<b>As of June 30, 2006</b>
	<b>(In millions)</b>
Cash and cash equivalents	\$ 37.8
Total debt (including current portion):	
Revolving credit facility	\$
Mortgage financing facility	47.6
7.50 Senior Subordinated Notes due 2017	150.0
2.625% Convertible Senior Debentures due 2025	150.0
Other debt	7.2
Total debt	354.8
Total stockholders' equity:	
Preferred stock, \$.01 par value; 20,000,000 shares authorized; no shares issued or outstanding	\$
Common stock, \$.01 par value; 210,000,000 shares authorized; 53,111,942 shares issued	0.5
Class B nonvoting convertible common stock, \$.01 par value; 20,000,000 shares authorized; 4,339,431 shares issued	
Additional capital	749.2
Retained deficit	(67.7)
Treasury stock, at cost; 8,536,391 shares	(68.7)
Accumulated other comprehensive income	16.5
Total stockholders' equity	629.8
Total capitalization	\$ 984.6

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The table below sets forth certain of WESCO International's consolidated financial data as of and for each of the periods indicated. The financial data for the years ended December 31, 2005, 2004 and 2003, and as of December 31, 2004 and 2005, is derived from its audited consolidated financial statements which appear elsewhere in this prospectus. The financial data for the years ended December 31, 2002 and 2001, and as of December 31, 2001, 2002 and 2003, is derived from WESCO International's audited consolidated financial statements which do not appear in this prospectus. The financial data for the six-month periods ended June 30, 2005 and 2006, and as of June 30, 2005 and 2006, is derived from WESCO International's unaudited condensed consolidated financial statements, which are included elsewhere in this prospectus. In WESCO International's opinion, such unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of the financial data for such periods. The results for the six months ended June 30, 2006 are not necessarily indicative of the results to be achieved for the year ending December 31, 2006 or for any other future period.

The data below should be read in conjunction with Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations, and WESCO International's consolidated financial statements, including the notes thereto, which appear elsewhere in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
(In millions, except share and per share data and ratios)							
<b>Income Statement Data:</b>							
Net sales(1) \$	3,658.0 \$	3,325.8 \$	3,286.8 \$	3,741.3 \$	4,421.1 \$	2,052.9 \$	2,601.5
Gross profit(2)	643.3	590.8	610.1	712.1	840.7	379.8	523.7
Selling, general and administrative expenses	517.2	494.4	501.5	544.5	612.8	284.7	339.4
Depreciation and amortization(3)	31.0	19.8	22.5	18.1	18.6	7.6	12.6
Income from operations	95.3	76.6	86.1	149.5	209.3	87.5	171.7
Interest expense, net	45.1	43.0	42.3	40.8	30.2	16.0	12.0
Loss on debt extinguishment(4)	16.9	1.1	0.2	2.6	14.9	10.1	11.4
		6.6	4.5	6.6	13.3	5.0	

Other expenses(5)							
Income before income taxes	33.3	25.9	39.1	99.5	150.9	56.4	148.3
Provision for income taxes(6)							
	13.1	2.8	9.1	34.6	47.4	17.6	48.7
Net income \$	20.2 \$	23.1 \$	30.0 \$	64.9 \$	103.5 \$	38.8 \$	99.6
Earnings per common share							
Basic \$	0.45 \$	0.51 \$	0.67 \$	1.55 \$	2.20 \$	0.83 \$	2.06
Diluted \$	0.43 \$	0.49 \$	0.65 \$	1.47 \$	2.10 \$	0.79 \$	1.91
Weighted average common shares outstanding							
Basic	44,862,087	45,033,964	44,631,459	41,838,034	47,085,524	46,839,115	48,334,545
Diluted	46,901,673	46,820,093	46,349,082	44,109,153	49,238,436	49,093,891	52,124,312

**Table of Contents**

	Year Ended December 31,					Six Months Ended June 30,	
	2001	2002	2003	2004	2005	2005	2006
<b>(In millions, except share and per share data and ratios)</b>							
<b>Other Financial Data and Ratios:</b>							
Capital expenditures	\$ 13.8	\$ 9.3	\$ 8.4	\$ 12.1	\$ 14.2	\$ 7.9	\$ 8.7
Net cash provided by operating activities(7)	161.3	20.3	35.8	21.9	295.1	135.2	59.6
Net cash used by investing activities	(69.2)	(23.1)	(9.2)	(46.3)	(291.0)	(8.9)	(20.1)
Net cash provided (used) by financing activities(7)	(38.0)	(49.9)	(22.3)	30.7	(17.0)	(145.6)	(23.7)
Ratio of earnings to fixed charges(8)	1.6x	1.5x	1.7x	2.9x	4.7x	3.7x	9.2x
<b>Balance Sheet Data (as of the end of the period):</b>							
Total assets	\$ 1,170.8	\$ 1,019.5	\$ 1,161.2	\$ 1,356.9	\$ 1,651.2	\$ 1,279.5	\$ 1,765.9
Total long-term debt (including current portion)	452.0	418.0	422.2	417.6	403.6	269.2	354.8
Long term obligations(9)			53.0	2.0	4.3	1.0	
Total stockholders equity	144.7	169.3	167.7	353.6	491.5	405.7	629.8

- (1) The operating results of the business of Fastec Industrial Corp., acquired on July 29, 2005, and Carlton-Bates Company, acquired on September 29, 2005, have been included in the consolidated financial data and represented, in the aggregate, sales of \$104.5 million for the year ended December 31, 2005 and \$214.0 million for the six months ended June 30, 2006.
- (2) Excludes depreciation and amortization.
- (3) Effective for 2002, WESCO International adopted Statement of Financial Accounting Standards ( SFAS ) No. 142, *Goodwill and Other Intangible Assets*, as described in Note 2 to WESCO International's audited consolidated financial statements included elsewhere in this prospectus.
- (4) Represents charges relating to the write-off of unamortized debt issuance and other costs associated with the early extinguishment of debt.

- (5) Represents costs relating to the sale of accounts receivable pursuant to our Receivables Facility. See Note 4 to WESCO International's audited consolidated financial statements included elsewhere in this prospectus.
- (6) Benefits of \$2.6 million and \$5.3 million in 2003 and 2002, respectively, from the resolution of prior year tax contingencies resulted in an unusually low provision for income taxes.
- (7) In the first quarter of 2006, the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standard 123 (revised 2004), *Share-Based Payment* and SEC staff Accounting Bulletin No. 107, *Share-Based Payment*, requiring the measurement and recognition of all stock-based compensation under the fair value method were adopted.
- (8) For purposes of calculating the ratio of earnings to fixed charges, earnings represents income before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of deferred financing costs and the component of rental expense that management believes is representative of the interest component of rental expense.
- (9) Includes amounts due under earnout agreements for past acquisitions.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion should be read in conjunction with the audited consolidated financial statements of WESCO International and the related notes thereto included elsewhere in this prospectus. For purposes of this discussion, the terms we, us, our, the Company and WESCO refer to WESCO International and its consolidated subsidiaries. The principal asset of WESCO International is all of the outstanding capital stock of WESCO Distribution.*

**Company Overview**

We are a full-line distributor of electrical supplies and equipment and a provider of integrated supply procurement services. WESCO has more than 370 full service branches and seven distribution centers located in the United States, Canada, Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. We serve over 100,000 customers worldwide, offering over 1,000,000 products from over 24,000 suppliers. Our diverse customer base includes a wide variety of industrial companies; contractors for industrial, commercial and residential projects; utility companies, and commercial, institutional and governmental customers. Approximately 87% of our net sales are generated from operations in the U.S., 11% from Canada and the remainder from other countries.

Sales increases attributed to growth in our served markets and from the two acquisitions completed in 2005, along with positive impact from our productivity initiatives, contributed to improved financial results for the first six months of 2006. Sales increased \$548.6 million, or 26.7%, over the same period last year. Gross margin was 20.1% and 18.5% for the first six months of 2006 and 2005, respectively. During the first six months of 2006, sales from our acquisitions, both of which were completed in the third quarter of 2005, were \$214 million in the aggregate and accounted for 10.4% of the improved sales versus 2005. Favorable exchange rates accounted for approximately 1% of the higher revenues. The remainder of the 2006 sales increase was the result of a combination of market and share growth, higher commodity prices, hurricane rebuilding activity, and an additional workday. Operating income improved by \$84.2 million, or 96%, with \$24.8 million of the increase attributed to our 2005 acquisitions compared with last year's similar period. Operating income improvement was due mainly to sales growth, gross margin expansion, acquisitions and cost containment. The net income for the six months ending June 30, 2006 and 2005 was \$99.6 million and \$38.8 million, respectively.

**Cash Flow**

We generated \$59.6 million in operating cash flow for the first six months of 2006. Included in this amount was a \$17 million reduction in the amount outstanding under our Receivables Facility, whereby we sell, on a continuous basis, an undivided interest in all domestic accounts receivable to WESCO Receivables Corp., a wholly owned, special purpose entity. Investing activities in the first six months of 2006 included \$8.7 million in capital expenditures and acquisition payments of \$10.9 million. Financing activities during the first six months of 2006 consisted of borrowings of \$215.9 million related to our revolving credit facility and repayments of \$244.9 million related to our revolving credit facility, \$20 million related to the Bruckner Note Payable and \$0.6 million related our mortgage financing facility.

**Financing Availability**

As of June 30, 2006, we had approximately \$275 million in available borrowing capacity under our revolving credit facility, of which \$225 million is the U.S sub-facility borrowing limit and \$50 million is the Canadian sub-facility borrowing limit.

**Table of Contents**

**Outlook**

We believe that acquisitions and improvements in operations and our capital structure made in 2005 have positioned us well for 2006. We continue to see macroeconomic data that reflects good activity levels in our major end markets. We continue to focus on selling and marketing initiatives to increase market share and pricing and procurement initiatives to achieve margin expansion and cost containment as we drive towards continued improvement in our operating performance for the second half of 2006.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to supplier programs, bad debts, inventories, insurance costs, goodwill, income taxes, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. If actual market conditions are less favorable than those projected by management, additional adjustments to reserve items may be required. We believe the following critical accounting policies affect our judgments and estimates used in the preparation of our consolidated financial statements.

***Revenue Recognition***

Revenues are recognized for product sales when title, ownership and risk of loss pass to the customer, or for services when the service is rendered or evidence of a customer arrangement exists. In the case of stock sales and special orders, a sale occurs at the time of shipment from our distribution point, as the terms of WESCO's sales are FOB shipping point. In cases where we process customer orders but ship directly from our suppliers, revenue is recognized once product is shipped and title has passed. For some of our customers, we provide services such as inventory management or other specific support. Revenues are recognized upon evidence of fulfillment of the agreed upon services. In all cases, revenue is recognized once the sales price to our customer is fixed or is determinable and WESCO has reasonable assurance as to the collectibility in accordance with Staff Accounting Bulletin No. 104.

***Gross Profit***

Our calculation of gross profit is net sales less cost of goods sold. Cost of goods sold includes our cost of the products sold and excludes cost for warehousing, selling, general and administrative expenses and depreciation and amortization, which are reported separately in the statement of income.

***Allowance for Doubtful Accounts***

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We have a systematic procedure using estimates based on historical data and reasonable assumptions of collectibles made at the local branch level and on a consolidated corporate basis to calculate the allowance for doubtful accounts.



**Table of Contents**

***Excess and Obsolete Inventory***

We write down our inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. A systematic procedure is used to determine excess and obsolete inventory reflecting historical data and reasonable assumptions for the percentage of excess and obsolete inventory on a consolidated basis.

***Supplier Volume Rebates***

We receive rebates from certain suppliers based on contractual arrangements with them. Since there is a lag between actual purchases and the rebates received from the suppliers, we must estimate and accrue the approximate amount of rebates available at a specific date. We record the amounts as other accounts receivable on the balance sheet. The corresponding rebate income is recorded as a reduction of cost of goods sold. The appropriate level of such income is derived from the level of actual purchases made by WESCO from suppliers, in accordance with the provisions of Emerging Issues Task Force Issue No. 02-16, Accounting by a Reseller for Cash Consideration Received from a Vendor.

***Goodwill***

As described in the notes to the consolidated financial statements, we test goodwill for impairment annually or more frequently when events or circumstances occur indicating goodwill might be impaired. This process involves estimating fair value using discounted cash flow analyses. Considerable management judgment is necessary to estimate discounted future cash flows. Assumptions used for these estimated cash flows were based on a combination of historical results and current internal forecasts. Two primary assumptions were an average long-term revenue growth ranging from 3% to 13% depending on the end market served and a discount rate of 8%. We cannot predict certain events that could adversely affect the reported value of goodwill, which totaled \$550.8 million at June 30, 2006, \$542.2 million at December 31, 2005 and \$401.6 million at December 31, 2004.

***Intangible Assets***

We account for certain economic benefits purchased as a result of our acquisitions, including customer relations, distribution agreements and trademarks, as intangible assets and amortize them over a useful life determined by the expected cash flows produced by such intangibles and their respective tax benefits. Useful lives vary between five and 19 years, depending on the specific intangible asset.

***Insurance Programs***

We use commercial insurance for auto, workers compensation, casualty and health claims as a risk reduction strategy to minimize catastrophic losses. Our strategy involves large deductibles where we must pay all costs up to the deductible amount. We estimate our reserve based on historical incident rates and costs.

***Income Taxes***

We record our deferred tax assets at amounts that are expected to be realized. We evaluate future taxable income and potential tax planning strategies in assessing the potential need for a valuation allowance. Should we determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. We review tax issues and positions taken on tax returns and determine the need and amount of contingency reserves necessary to cover any probable audit adjustments.

**Table of Contents****Accounts Receivable Securitization Facility**

Our Receivables Facility, through an SPE, sells, without recourse, to a third-party conduit all the eligible receivables while maintaining a subordinated interest, in the form of over-collateralization, in a portion of the receivables.

We account for the Receivables Facility in accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. At the time the receivables are sold, the balances are removed from our balance sheet. The Receivables Facility represents off-balance sheet financing, since the conduit's ownership interest in the accounts receivable of the SPE results in the removal of accounts receivable from our consolidated balance sheets, rather than resulting in the addition of a liability to the conduit.

We believe that the terms of the agreements governing this Receivables Facility not only provide a very favorable borrowing rate but also qualify our trade receivable sales transactions for sale treatment under generally accepted accounting principles, which requires us to remove the accounts receivable from our consolidated balance sheets. Absent this sale treatment, our consolidated balance sheet would reflect additional accounts receivable and debt. Our consolidated statements of income would not be impacted, except that other expenses would be classified as interest expense.

**Results of Operations****Second Quarter of 2006 versus Second Quarter of 2005**

The following table sets forth the percentage relationship to net sales of certain items in our condensed consolidated statements of income for the periods presented:

	<b>Three Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
Net sales	100.0%	100.0%
Gross profit	20.3	18.3
Selling, general and administrative expenses	12.7	13.4
Depreciation and amortization	0.5	0.3
Income from operations	7.1	4.6
Interest expense	0.4	0.6
Other expense	0.5	0.3
Income before income taxes	6.2	3.7
Provision for income taxes	2.1	1.1
Net income	4.1%	2.6%

Sales increases attributed to growth in our markets served and from the two acquisitions completed in 2005, along with positive impact from gross margin improvements and our cost improvement initiatives, contributed to improved financial results for the second quarter of 2006. Net sales in the second quarter of 2006 totaled \$1,336 million versus \$1,062.1 million in the comparable period for 2005, an increase of \$274 million or 25.8% over the same period last year. Second quarter 2006 sales from our acquisitions, both of which were completed in the third quarter of 2005, were \$107.4 million. Favorable exchange rates accounted for approximately 1% of the higher sales. The remainder of the 2006 sales increase was the result of a combination of market and share growth and higher commodity prices.

Gross profit for the second quarter of 2006 was \$270.6 million versus \$194.6 million for the comparable period in 2005, and gross margin percentage of net sales was 20.3% in 2006 versus 18.3% in 2005. The increase was attributable primarily to the combination of continued margin

**Table of Contents**

improvement initiatives and the higher margins from the acquisitions completed in the second half of 2005.

Selling, general and administrative ( SG&A ) expenses in the second quarter of 2006 totaled \$169.6 million versus \$142 million in last year's comparable quarter. As a percentage of net sales, SG&A expenses were 12.7% in the second quarter of 2006 compared to 13.4% in the second quarter in 2005, reflecting the positive impact of cost containment initiatives and the leverage of higher sales volume.

SG&A payroll expenses for the second quarter of 2006 of \$120.1 million increased by \$25.6 million compared to the same quarter in 2005, of which \$11.6 million resulted from the 2005 acquisitions. Of the remaining \$14 million increase in payroll expenses, \$10 million was from increased salaries and variable commissions and incentive compensation costs resulting from increased sales and related gross margins, \$1.1 million was from increased employee benefit costs, and \$1 million was from increased stock option expense.

The remaining SG&A expenses for the second quarter of 2006 of \$49.5 million increased by approximately \$1.9 million compared to same quarter in 2005, primarily from increases of \$5.2 million resulting from the 2005 acquisitions. This increase was offset by a reduction in bad debts primarily due to a \$2 million reversal of the \$4 million in bad debt expense incurred in the first quarter related to the write-down of accounts receivables from a major customer which filed for bankruptcy.

Depreciation and amortization for the second quarter of 2006 was \$6.3 million versus \$3.7 million in last year's comparable quarter. Of the \$2.6 million increase, \$2.5 million is related to the two acquisitions in 2005, of which \$1.9 million is due to the amortization expense of the intangible assets acquired and \$0.6 million is due to the depreciation of the fixed assets acquired.

Interest expense totaled \$5.6 million for the second quarter of 2006 versus \$6.8 million in last year's comparable quarter, a decrease of 18%. This decrease was due primarily to lower interest on debt in 2006 resulting from the redemption of higher interest rate notes, which were replaced with lower interest rates on both the 2017 Notes and the Debentures.

Other expense during the second quarter of 2006 increased to \$6.3 million versus \$3 million in 2005, reflecting costs associated with the Receivables Facility resulting from an increase in the average of the accounts receivable sold for the second quarter of 2006 to \$389.7 million versus \$317.4 million in last year's comparable quarter and higher discount rates.

Income tax expense totaled \$27.7 million in the second quarter of 2006 and the effective tax rate was 33.4% compared to 29.8% in the same quarter in 2005. The current quarter's effective tax rate differed from the statutory rate primarily as a result of the domestic tax benefit from foreign operations, and the domestic production activity deduction. The increase in the effective tax rate in 2006 as compared to 2005 is primarily due to the benefit in 2005 from research and development credits.

For the second quarter of 2006, net income increased by \$27.7 million to \$55.2 million, or \$1.05 per diluted share, compared with \$27.4 million and \$0.56 per diluted share for the second quarter of 2005. The increase in net income was primarily attributable to increased sales, gross margin expansion, decreases in the SG&A expenses as a percent of net sales, decrease in interest expense and increases in depreciation and amortization and other expense and a 3.6% point increase in the effective tax rate.

**Table of Contents*****Six Months Ended June 30, 2006 versus Six Months Ended June 30, 2005***

The following table sets forth the percentage relationship to net sales of certain items in our condensed consolidated statements of income for the periods presented:

	<b>Six Months Ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
Net sales	100.0%	100.0%
Gross profit	20.1	18.5
Selling, general and administrative expenses	13.0	13.9
Depreciation and amortization	0.5	0.4
Income from operations	6.6	4.2
Interest expense	0.5	0.8
Loss on debt extinguishment		0.5
Other expense	0.4	0.2
Income before income taxes	5.7	2.7
Provision for income taxes	1.9	0.8
Net income	3.8%	1.9%

Sales increases attributed to growth in our markets served and from the two acquisitions completed in 2005, along with positive impact from gross margin improvements and our cost improvement initiatives, contributed to improved financial results for the first six months of 2006. Net sales in the first six months of 2006 totaled \$2,601.5 million versus \$2,052.9 million in the comparable period for 2005, an increase of \$548.6 million, or 26.7%, over the same period last year. First six months 2006 sales from our acquisitions, both of which were completed in the third quarter of 2005, were \$214 million in the aggregate. Favorable exchange rates accounted for approximately 1% of the higher sales. The remainder of the 2006 sales increase was the result of a combination of market and share growth, higher commodity prices, hurricane rebuilding activity, and an additional workday.

Gross profit for the first six months of 2006 was \$523.7 million versus \$379.8 million for the comparable period in 2005, and gross margin percentage of net sales was 20.1% in 2006 versus 18.5% in 2005. The increase was attributable primarily to the combination of continued margin improvement initiatives and the higher margins from the acquisitions completed in the second half of 2005.

SG&A expenses in the first six months of 2006 totaled \$339.4 million versus \$284.7 million in last year's comparable period. As a percentage of net sales, SG&A expenses were 13% in the first six months of 2006 compared to 13.9% in the second six months of 2005, reflecting the positive impact of cost containment initiatives and the leverage of higher sales volume.

SG&A payroll expenses for the first six months of 2006 of \$239 million increased by \$46.8 million compared to the same period in 2005, of which \$22.5 million resulted from the 2005 acquisitions. Of the remaining \$24.3 million increase in payroll expenses, \$17.3 million was from increased salaries and variable commissions and incentive compensation costs resulting from increased sales and related gross margins, \$2.0 million was from increased employee benefit costs, and \$1.9 million was from increased stock option expense (\$.1 million attributable to the implementation of SFAS 123R).

The remaining SG&A expenses for the first six months of 2006 of \$100.4 million increased by approximately \$7.9 million compared to same period in 2005, primarily from increases of \$10.8 million resulting from the 2005

acquisitions and \$2 million in bad debt expense related to the write-down of accounts receivables from a major customer which filed for bankruptcy. This

**Table of Contents**

increase was offset primarily by a \$2.6 million receipt of an insurance claim related to the reimbursement of litigation expenses associated with a legal matter settled in the fourth quarter of 2005 and \$.7 million due to an adjustment in taxes not related to income.

Depreciation and amortization for first six months of 2006 was \$12.6 million versus \$7.6 million in last year's comparable period. Of the \$5 million increase, \$4.9 million is related to the two acquisitions in 2005, of which \$3.7 million is due to the amortization expense of the intangible assets acquired and \$1.2 million is due to the depreciation of the fixed assets acquired.

Interest expense totaled \$12 million for the first six months of 2006 versus \$16 million in last year's comparable period, a decrease of 25%. This decrease was due primarily to lower interest on debt in 2006 resulting from the redemption of higher interest rate notes, which were replaced with lower interest rates on both the 2017 Notes and the Debentures.

On March 1, 2005, we redeemed \$123.8 million in aggregate principal amount of our 2008 Notes and incurred a pretax loss of \$10.1 million resulting from the payment of the call premium and the write-off of the unamortized original issue discount and debt issue costs.

Other expense during the first six months of 2006 increased to \$11.3 million versus \$5 million in 2005, reflecting costs associated with the Receivables Facility resulting from an increase in the average of the accounts receivable sold for the first six months of 2006 to \$386.2 million versus \$289.2 million in last year's comparable period and higher discount rates.

Income tax expense totaled \$48.7 million in the first six months of 2006, and the effective tax rate was 32.8% compared to 31.3% in the same period in 2005. The current period's effective tax rate differed from the statutory rate primarily as a result of the domestic tax benefit from foreign operations, and the domestic production activity deduction. The increase in the effective tax rate in 2006 as compared to 2005 is primarily due to the benefit in 2005 from research and development credits.

For the first six months of 2006, net income increased by \$60.8 million to \$99.6 million, or \$1.91 per diluted share, compared with \$38.8 million and \$0.79 per diluted share for the first six months of 2005. The increase in net income was primarily attributable to increased sales, gross margin expansion, decreases in the SG&A expenses as a percent of net sales, decrease in interest expense, the 2005 loss on debt extinguishment and increases in depreciation and amortization and other expense and a 1.5% point increase in the effective tax rate.

***2005 Compared to 2004***

**Net Sales.** Sales in 2005 increased 18.2% to \$4,421 million, compared with \$3,741 million in 2004, primarily as a result of strong growth in our markets served, acquisitions and market share gains. Sales from our 2005 acquisitions, both of which were purchased in the third quarter, were \$104.4 million or approximately 2.8% over 2004 sales. Sales in 2005 also benefited by approximately 4.0% over 2004 from price increases which kept pace with rising cost of sales, approximately 0.9% from favorable currency exchange rates, and the remaining 10.5% from higher sales volume, of which approximately 1.0% was hurricane related. Sales volume in 2005 grew faster than that of our end markets served.

**Gross Profit.** Gross profit increased 18.1% in 2005 to \$841 million, compared with \$712 million in 2004, driven primarily by higher sales volume including acquisitions completed in 2005. Gross margin percentage was 19.0% in both years. Price increases in 2005 matched increases in cost of sales. Gross margin impact from sales mix was slightly less favorable in 2005 compared with 2004. However, acquisitions contributed positively to gross margin in 2005, resulting in equivalent gross margin percentages for both years.

**Table of Contents**

***Selling, General and Administrative Expenses.*** SG&A expenses include costs associated with personnel, shipping and handling, travel, advertising, facilities, utilities and bad debts. SG&A expenses increased by \$68.3 million, or 12.5%, to \$612.8 million in 2005. However, as a percentage of net sales, SG&A expenses decreased to 13.9% of sales, compared with 14.6% in 2004, reflecting cost-containment initiatives and sales rising faster than expenses. Total payroll expense in 2005 increased approximately \$43.0 million over 2004, due principally to increases in salaries and non-cash compensation expense for equity awards in the amount of \$20.3 million, variable incentive compensation costs of \$13.5 million, healthcare and benefits costs of \$4.9 million and expenses for contracted labor of \$4.3 million. Approximately \$12.1 million of the 2005 increase in salaries and related compensation expense was attributed to acquisitions made in 2005. Bad debt expense increased to \$8.6 million in 2005, compared with \$5.8 million for 2004, reflecting increases in accounts receivable and charges in accordance with our policy. Shipping and handling expense, included in SG&A expenses, was \$44.8 million in 2005, compared with \$36.6 million in 2004. The \$8.2 million increase in 2005 shipping and handling expense included a \$1.4 million increase due to acquisitions with the remaining \$6.8 million or 18.7% of the increase over prior year driven by higher sales volume and transportation costs.

***Depreciation and Amortization.*** Depreciation and amortization increased \$0.5 million to \$18.6 million in 2005, compared with \$18.1 million in 2004. Depreciation and amortization related to acquisitions completed in 2005 was \$2.7 million. Depreciation and amortization from operations excluding acquisition declined by \$2.2 million from 2004 amounts as certain assets became fully depreciated.

***Income from Operations.*** Income from operations increased by \$59.8 million, or 40%, to \$209.3 million in 2005, compared with \$149.4 million in 2004. The increase in operating income resulted from higher sales, an increase in gross profit and control over SG&A expenses.

***Interest Expense.*** Interest expense totaled \$30.2 million in 2005, compared with \$40.8 million in 2004. The decrease was due primarily to redemptions of the 2008 Notes, which occurred in 2005 and to comparatively lower interest rates on the original notes and our Debentures.

***Loss on Debt Extinguishment.*** Loss on debt extinguishment was \$14.9 million in 2005 resulting from charges associated with the redemption of \$324 million in aggregate principal amount of 2008 Notes. Loss on debt extinguishment in 2004 was \$2.6 million, reflecting redemptions of \$55.0 million in aggregate principal amount of 2008 Notes.

***Other Expenses.*** Other expenses increased in 2005 to \$13.3 million, compared to \$6.6 million in 2004, as a result of higher interest rates and increased borrowing under our Receivables Facility in 2005.

***Income Taxes.*** Our effective income tax rate decreased to 31.4% in 2005, compared with 34.7% in 2004, as a result of tax planning initiatives, which included U.S. tax benefits from foreign operations and U.S. tax credits.

***Net Income.*** Net income and diluted earnings per share on a consolidated basis totaled \$103.5 million and \$2.10 per share, respectively, in 2005, compared with \$64.9 million and \$1.47 per share, respectively, in 2004.

***2004 Compared to 2003***

***Net Sales.*** Net sales for 2004 increased by approximately \$454 million, or 13.8%, compared with the prior year. Approximately 11% of the increase in sales was attributable to strong demand from our end markets served. The remaining increase was split between approximately 2% from improved pricing which compensated for rising costs of commodity products and approximately 1% from the strength of the Canadian dollar.



**Table of Contents**

**Gross Profit.** Gross profit in 2004 increased 16.7% to \$712.1 million or 19.0% of sales from \$610.1 million, or 18.6% of sales in 2003. Gross profit percentage improved by 40 basis points due primarily to improved performance with supplier volume rebate programs and improved sales mix, as stock and special order sales that have higher margins increased faster than direct ship sales with lesser margins. Price increases implemented in 2004 largely covered rising cost of sales.

**Selling, General and Administrative Expenses.** SG&A expenses include costs associated with personnel, shipping and handling, travel and entertainment, advertising, utilities and bad debts. SG&A expenses increased by \$43.1 million, or 8.6%, to \$544.5 million. Total payroll expense increased approximately \$40.9 million over last year principally from increased variable incentive compensation costs of \$19.7 million, increased healthcare and benefits costs of \$10.1 million, and expense related to equity awards, which increased by \$2.3 million compared to 2003. Bad debt expense decreased to \$5.8 million for 2004, compared to \$10.2 million for 2003, primarily due to efficient collection efforts and an improved economic environment. Shipping and handling expense included in SG&A was \$36.6 million in 2004 compared with \$36.2 million in 2003. As a percentage of net sales, SG&A expenses decreased to 14.6%, compared with 15.3% in 2003, reflecting LEAN initiatives and the leverage of higher sales volume.

**Depreciation and Amortization.** Depreciation and amortization decreased \$4.4 million to \$18.1 million in 2004 versus \$22.6 million in 2003. Amortization decreased by \$1.6 million due to less amortization associated with a non-compete agreement that was fully amortized in 2003. Amortization of capitalized software decreased \$1.1 million as assets became fully amortized. Depreciation decreased \$1.1 million principally due to less depreciation expense on computer hardware as the applicable assets became fully depreciated.

**Income from Operations.** Income from operations increased \$63.4 million to \$149.4 million in 2004, compared with \$86.0 million in 2003. The increase in operating income was principally attributable to the increase in gross profit partially offset by the increase in SG&A expenses.

**Interest and Other Expenses.** Interest expense totaled \$40.8 million for 2004, a decrease of \$1.5 million from 2003. The decline was primarily due to a lower average amount of indebtedness outstanding during the current period as compared to 2003, as we continued to improve our liquidity by reducing debt. Loss on debt extinguishments of \$2.6 million related to losses on the repurchase of 2008 Notes versus \$0.2 million last year. Other expenses, which reflects costs associated with the accounts receivable securitization, totaled \$6.6 million and \$4.5 million in 2004 and 2003, respectively, as a result of an increase in the average receivable balance and higher interest rates.

**Income Taxes.** Income tax expense totaled \$34.6 million in 2004, an increase of \$25.5 million from 2003. The effective tax rates for 2004 and 2003 were 34.7% and 23.2%, respectively. In 2004, we recapitalized our Canadian operations to reflect the proportionate debt structure of the Canadian and U.S. operations and to improve efficiency in cash flow movement of funds for business purposes. The 2003 tax provision included a benefit of \$2.6 million as a result of the favorable conclusion of an IRS examination. Additionally, foreign tax credits contributed to the reduction in the effective rate during 2003.

**Net Income.** Net income and diluted earnings per share totaled \$64.9 million and \$1.47 per share, respectively, in 2004, compared with \$30.0 million and \$0.65 per share, respectively, in 2003.

**Liquidity and Capital Resources**

Total assets at June 30, 2006 and December 31, 2005 were \$1.8 billion and \$1.7 billion, respectively. During the first six months of 2006, total liabilities decreased by \$23 million to \$1.1 billion. This decrease was due primarily to a reduction in accrued payroll and benefit costs of \$14.1 million primarily from the payment in 2006 of the 2005 management incentive

**Table of Contents**

compensation and a reduction of \$28.5 million in debt related to repayments related to the revolving credit facility and an increase of \$38.3 million in accounts payable related to increased sales and inventory.

Our liquidity needs arise from working capital requirements, capital expenditures, acquisitions and debt service obligations. In addition, an acquisition agreement to which we are a party contains contingent consideration for the final acquisition payment which management has estimated will be \$1.1 million and paid in 2007 and is included in the current portion of deferred acquisition payable of \$4.6 million at June 30, 2006.

We finance our operating and investing needs, as follows:

***Revolving Credit Facility***

The revolving credit facility matures in June 2010 and provides for an aggregate borrowing limit of up to \$275 million. During the six months ended June 30, 2006, borrowings were \$215.9 million and repayments were \$244.9 million, with no outstanding balance at June 30, 2006, and, consequently, we were not subject to any covenants in the agreement governing the revolving credit facility.

***Mortgage Financing Facility***

In February 2003, we finalized a \$51 million mortgage financing facility, \$47.6 million of which was outstanding as of June 30, 2006. Borrowings under the mortgage financing are collateralized by 75 domestic properties and are subject to a 22-year amortization schedule with a balloon payment due at the end of the 10-year term. Interest rates on borrowings under this facility are fixed at 6.5%.

***Bruckner Note Payable***

Pursuant to the Bruckner purchase agreement and in accordance with the terms of a promissory note, the remaining payment of \$20 million was paid in June 2006.

***7.50% Senior Subordinated Notes due 2017***

At June 30, 2006, \$150 million in aggregate principal amount of the 2017 Notes were outstanding. The 2017 Notes were issued by WESCO Distribution under an indenture dated as of September 27, 2005 with J.P. Morgan Trust Company, National Association, as trustee, and are unconditionally guaranteed on an unsecured basis by WESCO International. The 2017 Notes accrue interest at the rate of 7.50% per annum and are payable in cash semi-annually in arrears on each April 15 and October 15, commencing April 15, 2006.

***2.625% Convertible Senior Debentures due 2025***

At June 30, 2006, \$150 million in aggregate principle amount of the Debentures was outstanding. The Debentures were issued by WESCO International under an indenture dated as of September 27, 2005 with J.P. Morgan Trust Company, National Association, as Trustee, and are unconditionally guaranteed on an unsecured senior subordinated basis by WESCO Distribution. The Debentures accrue interest at the rate of 2.625% per annum and are payable in cash semi-annually in arrears on each April 15 and October 15, commencing April 15, 2006. Beginning with the six-month interest period commencing October 15, 2010, we also will pay contingent interest in cash during any six-month interest period in which the trading price of the Debentures for each of the five trading days ending on the second trading day immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the principal amount of the Debentures. During any interest period when contingent interest shall be payable, the contingent interest payable per \$1,000 principal amount of Debentures will equal

**Table of Contents**

0.25% of the average trading price of \$1,000 principal amount of the Debentures during the five trading days immediately preceding the first day of the applicable six-month interest period. As defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* the contingent interest feature of the Debentures is an embedded derivative that is not considered clearly and closely related to the host contract. The contingent interest component had a nominal value at issuance and at June 30, 2006.

The Debentures are convertible into cash and, in certain circumstances, shares of WESCO International, Inc.'s common stock, \$0.01 par value, at any time on or after October 15, 2023, or prior to October 15, 2023 in certain circumstances. The Convertible Debentures will be convertible based on an initial conversion rate of 23.8872 shares of common stock per \$1,000 principal amount of the Debentures (equivalent to an initial conversion price of approximately \$41.86 per share). The conversion rate and the conversion price may be adjusted under certain circumstances.

At any time on or after October 15, 2010, we may redeem all or a part of the Debentures at a redemption price equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the redemption date. Holders of Debentures may require us to repurchase all or a portion of their Debentures on October 15, 2010, October 15, 2015 and October 15, 2020 at a cash repurchase price equal to 100% of the principal amount of the Debentures, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the repurchase date. If we undergo certain fundamental changes prior to maturity, holders of Debentures will have the right, at their option, to require us to repurchase for cash some or all of their Debentures at a repurchase price equal to 100% of the principal amount of the Debentures being repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the repurchase date.

***Cash Flow***

***Operating Activities-2006.*** Cash provided by operating activities for the first six months of 2006 totaled \$59.6 million primarily as the result of net income of \$99.6 million, adjusted for, among other items, depreciation and amortization of \$12.6 million of which \$4.9 million is related to two acquisitions in the second half of 2005, stock-based compensation of \$5.1 million and the reclassification of \$24.2 million related to the excess tax benefit from stock-based compensation expense. Cash provided by operating activities in the first six months of 2006 included \$24.9 million from prepaid expenses and other current assets including \$2.5 million from foreign income taxes receivable and \$35.4 million in accounts payable related to increased sales and inventory. Additionally, \$3.0 million was provided from other current and noncurrent liabilities of which \$1.3 million is related to a decrease in accrued interest payable primarily from the payment in April 2006 related to the 2017 Notes and Debentures and the payment in June 2005 related to the Bruckner Note Payable and \$3.0 million increase in accrued acquisition related expenses related to the Carlton-Bates acquisition. Cash used by operating activities in the first six months of 2006 included: \$17.0 million reduction in the receivables facility; \$35.8 million increase in trade and other receivables resulting from higher sales volume; \$32.8 million increase in inventories to accommodate increased sales demand and \$14.1 million reduction in accrued payroll and benefit costs primarily from \$27.4 million of incentive compensation payments related to 2005 which was offset by increased accrued payroll and benefits costs primarily related to the \$16.2 million accrual of the 2006 incentive compensation.

***Operating Activities-2005.*** Cash provided by operating activities during the first six months of 2005 totaled \$135.2 million as the result of net income of \$38.8 million, adjusted for, among other items, \$1.9 million related to the loss on debt extinguishment, \$7.6 million of depreciation and amortization and \$3.1 million of stock-based compensation. Cash provided by operating activities in the first six months of 2005 included: \$122.0 million related to the receivables facility;

**Table of Contents**

\$9.3 million related to prepaid and other current assets and \$39.4 million related to accounts payable from increased inventory purchases related to increased sales. Cash used in the first six months of 2005 for operating activities included: \$64.6 million in trade and accounts receivable resulting from higher sales volume; \$3.6 million in inventories to accommodate increased sales demand and \$16.6 million in accrued payroll and benefit costs related to incentive compensation.

**Investing Activities.** Net cash used in investing activities for the first six months of 2006 and 2005 was \$20.1 million and \$8.9 million, respectively, of which capital expenditures were \$8.7 million and \$7.9 million, respectively, and expenditures of \$10.9 million in 2006 and \$1 million in 2005 were made pursuant to the terms of an acquisition purchase agreement.

**Financing Activities.** Net cash used by financing activities for the six months of 2006 and 2005 was \$23.7 million and \$145.6 million, respectively. During the first six months of 2006, borrowings and repayments of debt included borrowings of \$215.9 million related to our revolving credit facility and repayments of \$244.9 million related to our revolving credit facility, \$20 million related to the Bruckner Note Payable and \$0.6 million related to our mortgage financing facility. During the first six months of 2005, the Company redeemed \$123.8 million in aggregate principal amount of 2008 Notes. Proceeds and repayments from long-term debt, inclusive of the redemption of the senior subordinated notes during the first six months of 2005, were \$147.4 million and \$297.3 million, respectively. During the first six months of 2006 and 2005, the proceeds from the exercise of stock-based compensation arrangements were \$6.6 million and \$5.3 million, respectively. During the first six months of 2006, expenditures of \$0.6 million were made in conjunction with the issuance of the 2017 Notes and the Debentures 7.5%. During the first six months of 2005, expenditures of \$0.9 million were made in conjunction with the amendments to the revolving credit facility and the receivables facility.

**Contractual Cash Obligations and Other Commercial Commitments**

The following summarizes our contractual obligations, including interest, at December 31, 2005 and the effect such obligations are expected to have on liquidity and cash flow in future periods. There were not any material changes in our contractual obligations and other commercial commitments in the fiscal quarter ended June 30, 2006.

	2006	2007 to 2008	2009 to 2010	2010 - After	Total
(In millions)					
Contractual cash obligations (including interest)					
Revolving credit facility	\$ 29.0	\$	\$	\$	\$ 29.0
Mortgage financing facility	4.3	8.6	8.6	46.8	68.3
Non-cancelable operating and capital leases	28.9	41.9	20.4	11.7	102.9
Bruckner note	21.6				21.6
Fastec note		3.6			3.6
Acquisition agreements	2.7	4.4	0.1	0.1	7.3
7.50% Senior Subordinated Notes due 2017	11.3	22.5	22.5	228.7	285.0
2.625% Convertible Senior Debentures due 2025	3.9	7.9	7.9	209.1	228.8
Total contractual cash obligations	\$ 101.7	\$ 88.9	\$ 59.5	\$ 496.4	\$ 746.5

Purchase orders for inventory requirements and service contracts are not included in the table above. Generally, our purchase orders and contracts contain clauses allowing for cancellation. We do not have significant agreements to purchase material or goods that would specify minimum order quantities.

Management believes that cash generated from operations, together with amounts available under our revolving credit facility and the Receivables Facility, will be sufficient to meet our working capital, capital expenditures estimated to be \$16.0 million in 2006 and other cash

## **Table of Contents**

requirements for the foreseeable future. There can be no assurance, however, that this will be or will continue to be the case.

### **Off-Balance Sheet Arrangements**

We maintain a Receivables Facility, that had a total purchase commitment of \$400 million as of June 30, 2006. The Receivables Facility has a term of three years and is subject to renewal in May 2008. Under the Receivables Facility, we sell, on a continuous basis, an undivided interest in all domestic accounts receivable to WESCO Receivables Corporation, a wholly owned SPE. The SPE sells, without recourse, to a third-party conduit all the eligible receivables while maintaining a subordinated interest, in the form of over-collateralization, in a portion of the receivables. We have agreed to continue servicing the sold receivables for the financial institution at market rates; accordingly, no servicing asset or liability has been recorded. As of June 30, 2006, \$380 million in funding was outstanding under the Receivables Facility.

### **Inflation**

The rate of inflation affects different commodities and the cost of products purchased and ultimately the pricing of our different products and product classes. On an overall basis, our pricing related to inflation comprised an estimated \$65 to \$80 million of our sales growth for the three months ended June 30, 2006 and an estimated \$125 to \$155 million of our sales growth for the six months ended June 30, 2006.

### **Seasonality**

Our operating results are not significantly affected by seasonal factors. Sales during the first quarter are generally less than 2% below the sales of the remaining three quarters due to a reduced level of activity during the winter months of January and February. Sales increase beginning in March with slight fluctuations per month through December.

### **Impact of Recently Issued Accounting Standards**

In May 2005, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 154, *Accounting Changes and Error Corrections*, which changes the requirements for the accounting and reporting of a change in accounting principle. SFAS No. 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS No. 154 eliminates the requirement to include the cumulative effect of changes in accounting principle in the income statement and instead requires that changes in accounting principle be retroactively applied. A change in accounting estimate continues to be accounted for in the period of change and future periods if necessary. A correction of an error continues to be reported by restating prior period financial statements. SFAS No. 154 is effective for us for accounting changes and correction of errors made on or after January 1, 2006. The adoption of SFAS No. 154 is not expected to have a material impact on our financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets.-an amendment of FASB Statement No. 140 (SFAS 156) which amends FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement clarifies when servicing rights should be separately accounted for, requires companies to account for separately recognized servicing rights initially at fair value, and gives companies the option of subsequently accounting for those servicing rights at either fair value or under the amortization method. SFAS 156 is effective for fiscal years beginning after September 15, 2006. Consistent with its requirements, WESCO will adopt SFAS 156 on January 1, 2007. WESCO is currently evaluating the effect that implementation of SFAS 156 will have on its financial position, results of operations and cash flows.

**Table of Contents**

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* ( FIN 48 ). This statement clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. Consistent with its requirements, WESCO will adopt FIN 48 on January 1, 2007. WESCO is currently evaluating the effect that implementation of FIN 48 will have on its financial position, results of operations and cash flows.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS****Foreign Currency Risks**

Approximately 90% of our sales are denominated in U.S. dollars and are primarily from customers in the United States. As a result, currency fluctuations are currently not material to our operating results. We do have foreign subsidiaries located in North America, Europe and Asia and may establish additional foreign subsidiaries in the future. Accordingly, we may derive a more significant portion of our sales from international operations, and a portion of these sales may be denominated in foreign currencies. As a result, our future operating results could become subject to fluctuations in the exchange rates of those currencies in relation to the U.S. dollar. Furthermore, to the extent that we engage in international sales denominated in U.S. dollars, an increase in the value of the U.S. dollar relative to foreign currencies could make our products less competitive in international markets. We have monitored and will continue to monitor our exposure to currency fluctuations.

**Interest Rate Risk**

At various times, we have refinanced our fixed rate debt to better leverage the impact of interest rate fluctuations. The majority of our debt portfolio is comprised of fixed rate debt in order to mitigate the impact of fluctuations in interest rates. Our variable rate borrowings at December 31, 2005 and 2004 of \$29.0 million and \$49.4 million, respectively, represented approximately 7% and 12% of total indebtedness at December 31, 2005 and 2004, respectively.

**Fixed Rate Borrowings:** In 2005 we reduced our borrowing rate on a major portion of our fixed-rate debt, redeeming \$323.5 million in aggregate, principal outstanding on our 2008 Notes at 9.125%, and issuing \$150 million of our original notes at 7.50% and \$150 million of our Debentures at 2.625%. As these borrowings were issued at fixed rates, interest expense would not be impacted by interest rate fluctuations, although market value would be. Historically, we have used interest swap agreements to mitigate the risk of changes in fair value due to interest rate fluctuations. At December 31, 2005, interest rates were within 100 basis points of the coupon rate of the original notes and the Debentures. Fair value exceeded carrying value of these debt instruments (see Note 8 to WESCO International's audited consolidated financial statements appearing elsewhere in this prospectus). Interest expense on our other fixed rate debt also was not impacted due to changes in market interest rates, and fair value approximated carrying value for this debt as well.

**Floating Rate Borrowings:** We borrow under our revolving credit facility for general corporate purposes, including working capital requirements and capital expenditures. During 2005, our average daily borrowing under the facility was \$11.9 million. Borrowings under our facility bear interest at the applicable LIBOR or base rate, as defined, and therefore we are subject to fluctuations in interest rates.

Table of Contents

**BUSINESS**

**The Company**

With sales of \$4.4 billion in 2005 and \$2.6 billion in the six months ended June 30, 2006, we are a leading North American provider of electrical construction products and electrical and industrial maintenance, repair and operating supplies, commonly referred to as MRO. We believe we are the largest distributor in terms of sales in the estimated \$74 billion\* U.S. electrical wholesale distribution industry based upon published industry sources and our assessment of peer company 2005 sales. We believe we are also the largest provider of integrated supply services for MRO goods and services in the United States.

Our distribution capability combined with integrated supply solutions and outsourcing services are designed to fulfill a customer's MRO procurement needs. We have more than 370 full service branches and seven distribution centers located in the United States, Canada, Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. We serve approximately 100,000 customers worldwide, offering more than 1,000,000 products from more than 24,000 suppliers utilizing a highly automated, proprietary electronic procurement and inventory replenishment system. Our diverse customer base includes a wide variety of industrial companies; contractors for industrial, commercial and residential projects; utility companies; and commercial, institutional and governmental customers. Our top ten customers accounted for approximately 14% of our sales in 2005. Our leading market positions, experienced workforce, extensive geographic reach, broad product and service offerings and acquisition program have enabled us to grow our market position.

**Industry Overview**

The electrical distribution industry serves customers in a number of markets including the industrial, electrical contractors, utility, government and institutional markets. Electrical distributors provide logistical and technical services for customers along with a wide range of products typically required for the construction and maintenance of electrical supply networks, including wire, lighting, distribution and control equipment and a wide variety of electrical supplies. Many customers demand that distributors provide a broader and more complex package of services as they seek to outsource non-core functions and achieve cost savings in purchasing, inventory and supply chain management.

**Electrical Distribution.** According to *Electrical Wholesaling Magazine*, the U.S. electrical wholesale distribution industry had forecasted sales of approximately \$74 billion in 2005. According to published sources\*, our industry has grown at an approximate 5% compounded annual rate over the past 20 years. This expansion has been driven by general economic growth, increased price levels for key commodities, increased use of electrical products in businesses and industries, new products and technologies and customers who are seeking to more efficiently purchase a broad range of products and services from a single point of contact, thereby eliminating the costs and expenses of purchasing directly from manufacturers or multiple sources. The U.S. electrical distribution industry is highly fragmented. In 2004, the latest year for which market share data is available, the four national distributors, including us, accounted for approximately 18% of estimated total industry sales.

**Integrated Supply.** The market for integrated supply services has grown rapidly in recent years. Growth has been driven primarily by the desire of large industrial companies to reduce operating expenses by implementing comprehensive third-party programs, which outsource cost-

\* Source: Electrical wholesale estimated industry sales per *Electrical Wholesaling (November, 2005)* based upon revised U.S. Census Bureau Survey segregating electrical wholesale vs. electrical retail sales. *Electrical Wholesaling's* 2004 estimated industry sales of \$83 billion had aggregated \$67 billion wholesale and \$16 billion retail sales.



**Table of Contents**

intensive procurement, stocking and administrative functions associated with the purchase and consumption of MRO supplies. For some of our customers, we believe these costs can account for up to 35% of the total costs for MRO products and services. We believe that significant opportunities exist for further expansion of integrated supply services, as the total potential in the United States for purchases of industrial MRO supply and services through all channels is currently estimated to be approximately \$380 billion.

**Business Strategy**

We believe we are the leading provider of electrical products and MRO supplies and services to companies in North America and selected international markets. Our goal is to grow earnings at a faster rate than sales by continuing to focus on margin enhancement and continuous productivity improvement. Our growth strategy utilizes our existing strengths and focuses on developing new initiatives and programs to position us to grow at a faster rate than the industry.

***Enhance Our Leadership Position in Electrical Distribution.*** We will continue to capitalize on our extensive market presence and brand equity in the WESCO name to grow our market position in electrical distribution. As a result of our geographical coverage, effective information systems and value-added products and services, we believe we have become a leader in serving several important and growing markets including:

industrial customers with large, complex plant maintenance operations, many of which require a national multi-site service solution for their electrical product needs;

large contractors for major industrial and commercial construction projects;

the electric utility industry; and

manufacturers of factory-built homes, recreational vehicles and other modular structures.

We are focusing our sales and marketing efforts in three primary areas:

expanding our product and service offerings to existing customers in industries we currently serve;

targeting new customers in industries we currently serve; and

targeting markets that provide significant growth opportunities, such as multi-site retail construction, education and healthcare facilities, OEM and regional and national contractors.

***Continue to Grow Our Premier Position in National Accounts.*** From 2002 through 2005, revenue from our national accounts program increased at a compound annual growth rate of 10%. We plan to continue to invest in the expansion of this program. Through our national accounts program, we coordinate electrical MRO procurement and purchasing activities across multiple locations, primarily for large industrial and commercial companies and for electric utilities. We have well-established relationships with more than 290 companies, providing us with a recurring base of revenue through multi-year agreements with these companies. Our objective is to continue to increase revenue from our national account customers by:

offering existing national account customers new products and services and serving additional customer locations;

extending certain established national account relationships to include our integrated supply services; and

expanding our customer base by leveraging our existing industry expertise in markets served to enter into new markets.

**Table of Contents**

***Focus on Large Construction Projects.*** We intend to increase our customer base, where we have targeted new construction accounts, with a focus on large commercial, industrial and institutional projects. We seek to secure new major project contracts through:

active national marketing of our demonstrated project management capabilities;

further development of relationships with leading regional and national contractors and engineering firms; and

close coordination with multi-location contractor customers on their major project requirements.

***Extend Our Leadership Position in Integrated Supply Services.*** We believe we are the largest provider of integrated supply services for MRO goods and services in the United States. We provide a full complement of outsourcing solutions, focusing on improving the supply chain management process for our customers' indirect purchases. Our integrated supply programs replace the traditional multi-vendor, resource-intensive procurement process with a single, outsourced, fully automated process capable of managing all MRO and related service requirements. Our solutions range from timely product delivery to assuming full responsibility for the entire procurement function. Our customers include some of the largest industrial companies in the United States. We plan to expand our leadership position as the largest integrated supply services provider in the United States by building upon established relationships within our large customer base and premier supplier network, to meet customer's continued interest in outsourcing.

***Gain Share in Fragmented Local Markets.*** Significant opportunities exist to gain market share in highly fragmented local markets. We intend to increase our market share in key geographic markets through a combination of increased sales and marketing efforts at existing branches, acquisitions that expand our product and customer base and new branch openings. To promote this growth, we have a compensation system for branch managers that encourage them to increase sales and optimize business activities in their local markets, including managing the sales force, configuring inventories, targeting potential customers for marketing efforts and tailoring local service options.

***Expand our LEAN Initiative.*** LEAN is a company-wide, strategic initiative to drive continuous improvement across the entire enterprise, including sales, operations and administrative processes. The basic principles behind LEAN are to rapidly identify and implement improvements through simplification, elimination of waste and reducing errors throughout a defined process. We have been highly successful in applying LEAN in a distribution environment and have developed and deployed numerous initiatives through the Kaizen approach. The initiatives are primarily centered around our branch operations and target nine key areas: sales, pricing, warehouse operations, transportation, purchasing, inventory, accounts receivable, accounts payable and administrative processes. In 2006, our objective is to continue to implement the initiatives across our branch locations and headquarters operations, consistent with our long-term strategy of continuously refining and improving our processes to achieve both sales and operational excellence.

***Pursue Strategic Acquisitions.*** Since 1995, we have completed and successfully integrated 27 acquisitions. Our most recent acquisitions were completed in July and September 2005. We believe that the highly fragmented nature of the electrical and industrial MRO distribution industry will continue to provide us with acquisition opportunities. We expect that any future acquisitions will be financed with internally generated funds, additional debt and/or the issuance of equity securities. However, our ability to make acquisitions will be subject to our compliance with certain conditions under the terms of our revolving credit facility. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources, for a further description of the revolving credit facility.

**Table of Contents**

**Expand Product and Service Offerings.** We have developed a service capability to assist customers in improving their internal productivity and overall cost position. This service, which we call Cost Reduction Solutions, is based on applying LEAN principles and practices in our customers' work environment. To date, we have worked with manufacturers, assemblers and contractors to enhance supply chain operations and logistics. Our work on productivity projects, in cooperation with our customers, significantly increases the breadth of products that can be supplied and creates fee-for-service opportunities in kitting, assembly and warehouse operations. Additionally, we have demonstrated our ability to introduce new products and services to meet existing customer demands and capitalize on new market opportunities. For example, we developed the platform to sell integrated lighting control and power distribution equipment in a single package for multi-site specialty retailers, restaurant chains and department stores. These are strong growth markets where our national accounts strategies and logistics infrastructure provide significant benefits for our customers.

**Capitalize on Our Information System Capabilities.** We intend to utilize our sophisticated information technology capabilities to drive increased sales performance and market share. Our information systems support targeted direct mail marketing campaigns, sales promotions, sales productivity and profitability assessments and coordination with suppliers and overall supply chain programs that improve customer profitability and enhance our working capital productivity. Our information systems provide us with detailed, actionable information across all facets of our broad network, allowing us to quickly and effectively identify and act on profitability and efficiency-related initiatives.

**Expand Our International Operations.** Our international sales, the majority of which are in Canada, accounted for approximately 13% in 2005 and in the six months ended June 30, 2006, respectively. We believe that there is significant additional demand for our products and services outside the United States and Canada. Many of our multinational domestic customers are seeking distribution, integrated supply and project management solutions globally. We follow our established customers and pursue business that we believe utilizes and extends our existing capabilities. We believe this strategy of working through well-developed customer and supplier relationships significantly reduces risk and provides the opportunity to establish profitable incremental business. We currently have seven locations in Mexico. Additionally, our locations in Aberdeen, Scotland and London, England support our sales efforts in Europe and the former Soviet Union. We also have operations in Nigeria to serve West Africa, an office in Singapore to support our operations in Asia and an office in United Arab Emirates to serve the Middle East.

**Competitive Strengths**

We believe the following strengths are central to the successful execution of our business strategy:

**Market Leadership.** Our ability to manage large construction projects, complex multi-site plant maintenance programs, procurement projects that require special sourcing, technical advice, logistical support and locally based service has enabled us to establish leadership positions in our principal markets. We have utilized these skills to generate significant revenues in industries with intensive use of electrical and MRO products, including electrical contracting, utilities, OEM, process manufacturing and other commercial, institutional and governmental entities. We also have extended our position within these industries to expand our customer base.

**Value-added Services.** We are a leader in providing a wide range of services and procurement solutions that draw on our product knowledge, supply and logistics expertise and systems capabilities, enabling our customers with large operations and multiple locations to reduce supply chain costs and improve efficiency. Our expansive geographical coverage is essential to our ability to provide these services. We have more than 370 branches to complement our national sales and marketing activities with local customer service, product

**Table of Contents**

information and technical support, order fulfillment and a variety of other on-site services. These programs include:

***National Accounts*** we coordinate product supply and materials management activities for MRO supplies, project needs and direct material for national and regional customers with multiple locations who seek purchasing leverage through a single electrical products provider. Regional and national contractors and top engineering and construction firms that specialize in major projects such as airport expansions, power plants and oil and gas facilities are also a focus group for our national accounts program; and

***Integrated Supply*** we design and implement programs that enable our customers to significantly reduce the number of MRO suppliers they use through services that include highly automated, proprietary electronic procurement and inventory replenishment systems and on-site materials management and logistics services.

***Broad Product Offering.*** We provide our customers with a broad product selection consisting of more than 1,000,000 electrical, industrial, data communications, MRO and utility products sourced from more than 24,000 suppliers. Our broad product offering and stable source of supply enables us to meet virtually all of a customer's electrical product and MRO requirements.

***Extensive Distribution Network.*** We are a full-line distributor of electrical supplies and equipment with operations in the United States, Canada, Mexico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. We operate more than 370 branch locations and eight distribution centers (six in the United States and two in Canada). This extensive network, which would be extremely difficult and expensive to duplicate, allows us to:

maintain local sourcing of customer service, technical support and sales coverage;

tailor branch products and services to local customer needs;

offer multi-site distribution capabilities to large customers and national accounts; and

provide same-day deliveries.

***Low Cost Operator.*** Our competitive position has been enhanced by our low cost position, which is based on:

extensive use of automation and technology;

centralization of functions such as purchasing, accounting and information systems;

strategically located distribution centers;

purchasing economies of scale; and

incentive programs that increase productivity and encourage entrepreneurship.

As a result of these factors, we believe that our operating costs as a percentage of sales is one of the lowest in our industry. Our selling, general and administrative expenses as a percentage of revenues for the six months ended June 30, 2006 decreased to 13.0% from 13.9% for 2005, significantly below our peer group 2004 average of approximately 20%, according to the National Association of Electrical Distributors. Our low cost position enables us to generate a significant amount of net cash flow, as the amount of capital investment required to maintain our business is relatively low. Consequently, more of the cash we generate is available for debt reduction, continued investment in the growth of the business and strategic acquisitions.

## Table of Contents

### **Products and Services**

#### ***Products***

Our network of branches and distribution centers stock more than 200,000 unique product SKUs. Each branch tailors its inventory to meet the needs of the customers in its local market, stocking an average of approximately 2,500 SKUs. Our business allows our customers to access more than 1,000,000 products.

Representative products and services that we offer include:

***Electrical Supplies.*** Wiring devices, fuses, terminals, connectors, boxes, enclosures, fittings, lugs, terminations, tape, and splicing and marking equipment;

***Industrial Supplies.*** Tools and testers, safety and security, fall protection, personal protection, consumables, janitorial and other MRO supplies;

***Power Distribution.*** Circuit breakers, transformers, switchboards, panel boards, metering products and busway products;

***Lighting.*** Lamps, fixtures, ballasts and lighting control products;

***Wire and Conduit.*** Wire, cable, raceway, metallic and non-metallic conduit;

***Control, Automation and Motors.*** Motor control devices, drives, surge and power protection, relays, timers, pushbuttons and operator interfaces; and

***Data Communications.*** Cables, cable management and connecting hardware.

We purchase products from a diverse group of more than 24,000 suppliers. In 2005, our ten largest suppliers accounted for approximately 34% of our purchases. The largest of these was Eaton Corporation, through its Eaton Electrical division, accounting for approximately 12% of total purchases. No other supplier accounted for more than 5% of total purchases.

Our supplier relationships are important to us, providing access to a wide range of products, technical training and sales and marketing support. We have preferred supplier agreements with more than 200 of our suppliers and purchase over 60% of our stock inventory pursuant to these agreements. Consistent with industry practice, most of our agreements with suppliers, including both distribution agreements and preferred supplier agreements, are terminable by either party on 60 days notice or less.

#### ***Services***

In conjunction with product sales, we offer customers a wide range of services and procurement solutions that draw on our product and supply management expertise and systems capabilities. These services include national accounts programs, integrated supply programs and major project programs. We are responding to the needs of our customers, particularly those in processing and manufacturing industries. To more efficiently manage the MRO process on behalf of our customers, we offer a range of supply management services, including:

outsourcing of the entire MRO purchasing process;

providing technical support for manufacturing process improvements using state-of-the-art automated solutions;

implementing inventory optimization programs;

participating in joint cost savings teams;

assigning our employees as on-site support personnel;



**Table of Contents**

recommending energy-efficient product upgrades; and

offering safety and product training for customer employees.

***National Accounts Programs.*** The typical national account customer is a Fortune 500 industrial company, a large utility or other major customer, in each case with multiple locations. Our national accounts programs are designed to provide customers with total supply chain cost reductions by coordinating purchasing activity for MRO supplies and direct materials across multiple locations. Comprehensive implementation plans establish jointly managed teams at the local and national level to prioritize activities, identify key performance measures and track progress against objectives. We involve our preferred suppliers early in the implementation process, where they can contribute expertise and product knowledge to accelerate program implementation and the achievement of cost savings and process improvements.

***Integrated Supply Programs.*** Our integrated supply programs offer customers a variety of services to support their objectives for improved supply chain management. We integrate our personnel, product and distribution expertise, electronic technologies and service capabilities with the customer's own internal resources to meet particular service requirements. Each integrated supply program is uniquely configured to deliver a significant reduction in the number of MRO suppliers, reduce total procurement costs, improve operating controls and lower administrative expenses. Our solutions range from just-in-time fulfillment to assuming full responsibility for the entire procurement function for all indirect purchases. We believe that customers will increasingly seek to utilize us as an integrator, responsible for selecting and managing the supply of a wide range of MRO and OEM products.

**Markets and Customers**

We have a large base of approximately 100,000 customers diversified across our principal markets. No customer accounted for more than 4% of our total sales in 2005.

***Industrial Customers.*** Sales to industrial customers, which include numerous manufacturing and process industries and OEMs accounted for approximately 41% of our sales in 2005.

MRO products are needed to maintain and upgrade the electrical and communications networks at industrial sites. Expenditures are greatest in the heavy process industries, such as food processing, metals, pulp and paper and petrochemical. Typically, electrical MRO is the first or second ranked product category by purchase value for total MRO requirements for an industrial site. Other MRO product categories include, among others, lubricants, pipe, valves and fittings, fasteners, cutting tools and power transmission products.

OEM customers incorporate electrical components and assemblies into their own products. OEMs typically require a reliable, high-volume supply of a narrow range of electrical items. Customers in this market are particularly service and price sensitive due to the volume and the critical nature of the product used, and they also expect value-added services such as design and technical support, just-in-time supply and electronic commerce.

***Electrical Contractors.*** Sales to electrical contractors accounted for approximately 36% of our sales in 2005. These customers range from large contractors for major industrial and commercial projects, which represent the customer types we principally serve, to small residential contractors, which represent a small portion of our sales. Electrical products purchased by electrical subcontractors typically account for approximately 40% to 50% of their installed project cost, so therefore, accurate cost estimates and competitive material costs are critical to a contractor's success in obtaining profitable projects.

***Utilities.*** Sales to utilities accounted for approximately 17% of our sales in 2005. This market includes large investor-owned utilities, rural electric cooperatives and municipal power authorities. We provide our utility customers with transmission and distribution products and an extensive range of supplies to meet their MRO and capital projects needs. Full materials

**Table of Contents**

management and procurement outsourcing arrangements are also important in this market as cost pressures and deregulation cause utility customers to streamline purchasing and inventory control practices.

**Commercial, Institutional and Governmental ( CIG ) Customers.** Sales to CIG customers accounted for approximately 6% of our sales in 2005. This fragmented market includes schools, hospitals, property management firms, retailers and government agencies of all types. We have a platform to sell integrated lighting control and distribution equipment in a single package for multi-site specialty retailers, restaurant chains and department stores.

**Distribution Network**

**Branch Network.** We have more than 370 branches, of which approximately 310 are located in the United States, about 50 are located in Canada and the remainder located in Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. In addition to consolidations in connection with acquisitions, we occasionally open, close or consolidate existing branch locations to improve market coverage and operating efficiency.

**Distribution Centers.** To support our branch network, we have eight distribution centers located in the United States and Canada, with facilities located near Pittsburgh, Pennsylvania, serving the Northeast and Midwest United States; near Reno, Nevada, serving the Western United States; near Memphis, Tennessee, serving the Southeast and Central United States; in Columbia, South Carolina, serving the Southeast United States; near Dayton, Ohio, serving the Midwest United States; in Little Rock, Arkansas, serving the Northeast, Central and Western United States; near Montreal, Quebec, serving Eastern and Central Canada; and near Vancouver, British Columbia, serving Western Canada.

Our distribution centers add value for our branches, suppliers and customers through the combination of a broad and deep selection of inventory, online ordering, same-day shipment and central order handling and fulfillment. Our distribution center network reduces the lead-time and improves the reliability of our supply chain, giving us a distinct competitive advantage in customer service. Additionally, the distribution centers reduce the time and cost of supply chain activities through automated replenishment and warehouse management systems and economies of scale in purchasing, inventory management, administration and transportation.

**Sales Organization**

**Sales Force.** Our general sales force is based at the local branches and comprises of approximately 2,100 of our employees, almost half of whom are outside sales representatives with the remainder being inside sales personnel. Outside sales representatives are paid under a compensation structure that is primarily weighted toward commissions. They are responsible for making direct customer calls, performing on-site technical support, generating new customer relations and developing existing territories. The inside sales force is a key point of contact for responding to routine customer inquiries such as price and availability requests and for entering and tracking orders.

**National Accounts.** Our national accounts sales force comprises an experienced group of sales executives who negotiate and administer contracts, coordinate branch participation and identify sales and service opportunities. National accounts managers efforts target specific customer industries, including automotive, pulp and paper, petrochemical, steel, mining and food processing.

We also have a sales management group, comprising our most experienced construction management personnel, which focus on serving the complex needs of North America's largest engineering and construction firms and the top regional and national electrical contractors. These contractors typically specialize in large, complex projects such as building industrial sites, water treatment plants, airport expansions, healthcare facilities, correctional institutions, sports stadiums and convention centers.



**Table of Contents**

**Data Communications.** Sales of premise cable, connectors, hardware, network electronics and outside plant products are generated by our general sales force with support from a group of outside and inside data communications sales representatives. They are supported by customer service representatives and additional resources in product management, purchasing, inventory control and sales management.

**E-Commerce.** Our primary e-business strategy is to serve existing customers by tailoring our catalog and Internet-based procurement applications to their internal systems or through their preferred technology and trading exchange partnerships. We continue to expand our e-commerce capabilities, meeting our customers requirements as they develop and implement their e-procurement business strategies. We have strengthened our business and technology relationships with the trading exchanges chosen by our customers as their e-procurement partners. We continue to enhance and enrich our customized electronic catalogs provided to our customers for use with their internal business systems. We believe that we lead our industry in rapid e-implementation to customers procurement systems and integrated procurement functionality using punch-out technology, a direct system-to-system link with our customers.

We continue to enhance WESCO Express, a direct ship fulfillment operation responsible for supporting smaller customers and select national account locations. Customers can order from more than 83,000 electrical and data communications products stocked in our warehouses through a centralized customer service center or over the Internet at [www.WESCOdirect.com](http://www.WESCOdirect.com). We also use a proactive sales approach utilizing catalogs, direct mail, e-mail and personal phone selling to provide a high level of customer service. Our 2005-2006 WESCO s Buyers Guide® was produced and released in 2005.

**International Operations**

To serve the Canadian market, we operate a network of approximately 50 branches in nine provinces. Branch operations are supported by two distribution centers located near Montreal and Vancouver. With sales of approximately US\$500 million, Canada represented approximately 11% of our total sales in 2005. The Canadian market for electrical distribution is considerably smaller than the U.S. market, with roughly US\$4.3 billion in total sales in 2005, according to the Canadian Distribution Council.

We also have seven locations in Mexico headquartered in Tlalnepantla, which serve all of metropolitan Mexico City and the Federal District and the states of Chihuahua, Hidalgo, Mexico, Morelos and Nuevo Leon.

We sell to other international customers through domestic export sales offices located within North America and sales offices in international locations. Our operations in Aberdeen, Scotland and London, England support sales efforts in Europe, oil and gas customers on a global basis, engineering procurement companies and the former Soviet Union. We have an operation in Nigeria to serve West Africa, an office in United Arab Emirates to serve the Middle East and an office in Singapore to support our sales to Asia and global oil and gas customers. All of the international locations have been established to primarily serve our growing list of customers with global operations referenced under National Accounts above.

**Table of Contents**

The following table sets forth information about us by geographic area:

	Net Sales			Long-Lived Assets		
	Year Ended December 31,			December 31,		
	2005	2004	2003	2005	2004	2003
	(In thousands)					
United States	\$ 3,829,755	\$ 3,265,280	\$ 2,872,239	\$ 728,329	\$ 488,787	\$ 491,515
Foreign Operations						
Canada	499,817	394,375	335,695	12,375	11,958	11,926
Other foreign	91,531	81,598	78,832	1,592	1,194	1,341
Subtotal Foreign Operations	591,348	475,973	414,527	13,967	13,152	13,267
Total U.S. and Foreign	\$ 4,421,103	\$ 3,741,253	\$ 3,286,766	\$ 742,296	\$ 501,939	\$ 504,782

**Management Information Systems**

We have implemented data processing systems to provide support for a full range of business functions, such as customer service, inventory and logistics management, accounting and administrative support. Our branch information system, known as WESNET, is the primary data processing vehicle for all branch operations (other than our Bruckner Integrated Supply Division and certain acquired branches). The WESNET system provides all of the basic day-to-day order management and order fulfillment functions. The WESNET application and server reside locally within each branch and provide us with a flexible and cost-effective approach to facilitate expansion and organizational growth. The distributed systems are connected to a centralized data processing center via a wide area network that provides a tightly coupled, yet flexible system.

The centralized corporate information system and data warehouse provide a platform with capability that we believe exceeds many of the most advanced enterprise resource planning packages available on the market. Our centralized servers contain near real-time transactional data from each branch system, as well as multiple years of historical transaction data. The centralized server and data warehouse technology provide a cost-effective mechanism to better monitor, manage and enhance operational processes. These systems have become the principal technology supporting inventory management, purchasing management, automated stock replenishment, margin analysis, and financial and operating analytics.

The data warehouse is also utilized to perform extensive operational analysis and provide detailed insight for all major business processes. By providing this technology, employees at all levels have the ability to analyze their area of responsibility and drive improvements through the organization. The system contains a variety of analytic tools, including activity-based costing capability for analyzing profitability by customer, sales representative, product type and shipment type. Many other tools permit analysis of sales and margins, supplier sales planning, item analysis, market analysis, product insight and many other operational reporting and trending applications.

The centralized platform facilitates the processing of customer orders, shipping notices, suppliers purchase orders and funds transfer via EDI. We have long supported standard EDI with many trading partners. Over the years we have added capability to support several other integration vehicles beyond standard EDI to better support our customers' needs. The evolving integration capability allows us to seamlessly connect our information systems platform with those of our customers and suppliers. Our

e-commerce purchasing and order fulfillment platform is a user-friendly platform that will be integrated with our legacy systems.

## **Table of Contents**

Our integrated supply services are supported by state-of-the-art proprietary procurement and inventory management systems. These systems provide a fully integrated, flexible supply chain platform that currently handles over 95% of our integrated supply customers' transactions electronically. Our configuration options for a customer range from online linkages to the customer's business and purchasing systems, to total replacement of a customer's procurement and inventory management system for MRO supplies.

### **Competition**

We believe that we are the largest distributor in the estimated \$74 billion\* U.S. electrical distribution industry and the largest provider of integrated supply services for MRO goods and services in the United States. We operate in a highly competitive and fragmented industry. We compete directly with national, regional and local providers of electrical and other industrial MRO supplies. In 2004, the latest year for which industry-published market share data is available, the four national distributors, including us, accounted for approximately 18% of estimated total industry sales. Competition is primarily focused on the local service area, and is generally based on product line breadth, product availability, service capabilities and price. Another source of competition is buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability. While increased buying power may improve the competitive position of buying groups locally, we believe these groups have not been able to compete effectively with us for national account customers due to the difficulty in coordinating a diverse ownership group. Although certain Internet-based procurement service companies, auction businesses and trade exchanges remain in the marketplace, the impact on our business from these potential competitors has been minimal to date.

### **Employees**

As of June 30, 2006, we had approximately 6,150 employees worldwide, of which approximately 5,430 were located in the United States and approximately 720 in Canada and our other international locations. Less than 5% of our employees are represented by unions. We believe our labor relations are generally good.

### **Intellectual Property**

We currently have trademarks and service marks registered with the U.S. Patent and Trademark Office. The registered trademarks and service marks include: WESCO®, our corporate logo, the running man logo, the running man in box logo and The Extra Effort People®. In 2005, two trademarks, CB Only the Best is Good Enough and LADD, were added as a result of the acquisition of Carlton-Bates. Certain of these and other trademark and service mark registration applications have been filed in various foreign jurisdictions, including Canada, Mexico, the United Kingdom, Singapore and the European Community.

### **Environmental Matters**

Our facilities and operations are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose strict, joint and several liabilities on certain persons for the cost of investigation or remediation of contaminated properties. These persons may include former, current or future owners or operators of properties and persons who arranged for the disposal of hazardous substances. Our owned and leased real property may give rise to such

\*Electrical wholesale estimated industry sales per *Electrical Wholesaling (November, 2005)* based upon U.S. Census Bureau Survey segregating electrical wholesale vs. electrical retail sales. *Electrical Wholesaling's* 2004 estimated industry sales of \$83 billion had aggregated wholesale and retail sales.

**Table of Contents**

investigation, remediation and monitoring liabilities under environmental laws. In addition, anyone disposing of certain products we distribute, such as ballasts, fluorescent lighting and batteries, must comply with environmental laws that regulate certain materials in these products.

We believe that we are in compliance, in all material respects, with applicable environmental laws. As a result, we do not anticipate making significant capital expenditures for environmental control matters either in the current year or in the near future.

**Seasonality**

Our operating results are not significantly affected by seasonal factors. Sales during the first quarter are generally less than 2% below the sales of the remaining three quarters due to a reduced level of activity during the winter months of January and February. Sales increase beginning in March, with slight fluctuations per month through December. As a result, our reported sales and earnings in the first quarter are generally lower than in subsequent quarters.

**Website Access**

Our Internet address is *www.wesco.com*. Information contained on our website is not part of, and should not be construed as being incorporated by reference into, this prospectus. We make available free of charge under the Investors heading on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as proxy and information statements, as soon as reasonably practicable after such documents are electronically filed or furnished, as applicable, with the Securities and Exchange Commission (the SEC). You also may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers like us who file electronically with the SEC.

In addition, our Charters for our Executive Committee, Nominating and Governance Committee, Audit Committee and Compensation Committee, as well as our Independence Standards and Governance Guidelines and our Code of Ethics and Business Conduct for our directors, officers and employees, are all available on our website in the Corporate Governance link under the Investors heading.

**PROPERTIES**

We have approximately 370 branches, of which approximately 310 are located in the United States, approximately 50 are located in Canada and the remainder are located in Mexico, Puerto Rico, Guam, the United Kingdom, Nigeria, United Arab Emirates and Singapore. Approximately 25% of our branches are owned facilities, and the remainder are leased.

The following table summarizes our distribution centers:

Location	Square Feet	Leased/Owned
Warrandale, PA	194,000	Owned
Sparks, NV	131,000	Leased
Byhalia, MS	148,000	Owned
Little Rock, AR	100,000	Leased
Dorval, QE	90,000	Leased
Burnaby, BC	65,000	Owned
Kettering, OH	48,000	Leased

**Table of Contents**

We also lease our 69,000-square-foot headquarters in Pittsburgh, Pennsylvania. We do not regard the real property associated with any single branch location as material to our operations. We believe our facilities are in good operating condition and are adequate for their respective uses.

**LEGAL PROCEEDINGS**

From time to time, a number of lawsuits and claims have been or may be asserted against us relating to the conduct of our business, including routine litigation relating to commercial and employment matters. The outcome of any litigation cannot be predicted with certainty, and some lawsuits may be determined adversely to us. However, management does not believe, based on information presently available, that the ultimate outcome of any such pending matters is likely to have a material adverse effect on our financial condition or liquidity, although the resolution in any quarter of one or more of these matters may have a material adverse effect on our results of operations for that period.

We are a defendant in a lawsuit in a state court in Florida in which a former supplier alleges that we failed to fulfill our commercial obligations to purchase product and seeks monetary damages in excess of \$17 million. We believe that we have meritorious defenses. Neither the outcome nor the monetary impact of this litigation can be predicted at this time. A trial is scheduled for October 2006.

Information relating to legal proceedings is included in Note 14 to WESCO International's audited consolidated financial statements and Note 8 to WESCO International's unaudited condensed consolidated financial statements, each included elsewhere in this prospectus.

Table of Contents**MANAGEMENT**

The executive officers and directors of WESCO International and WESCO Distribution and their respective ages and positions as of July 31, 2006 are set forth below.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Roy W. Haley	59	Chairman and Chief Executive Officer
Sandra Beach Lin	48	Director
George L. Miles, Jr.	64	Director
Steven A. Raymund	50	Director
James L. Singleton	50	Director
Robert J. Tarr, Jr.	62	Director
Lynn M. Utter	44	Director
William J. Vareschi	64	Director
Kenneth L. Way	67	Director
John J. Engel	44	Senior Vice President and Chief Operating Officer
Stephen A. Van Oss	52	Senior Vice President, Chief Financial and Administrative Officer
William M. Goodwin	60	Vice President, Operations
Robert B. Rosenbaum	48	Vice President, Operations
Donald H. Thimjon	63	Vice President, Operations
Ronald P. Van, Jr.	45	Vice President, Operations
Daniel A. Brailer	49	Vice President Treasurer, Legal & Investor Relations
Marcy Smorey-Giger	34	Corporate Counsel and Secretary

Set forth below is certain biographical information for the executive officers and directors listed above.

**Roy W. Haley** has been Chief Executive Officer of the Company since February 1994, and Chairman of the Board since 1998. From 1988 to 1993, Mr. Haley was an executive at American General Corporation, a diversified financial services company, where he served as Chief Operating Officer, as President and as a Director. Mr. Haley is also a Director of United Stationers, Inc. and Cambrex Corporation, and is Chairman of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland.

**Sandra Beach Lin**, a director, joined Avery Dennison Corporation in 2005 as Group Vice President, Specialty Materials & Converting Worldwide. She previously served as President, Alcoa Closure Systems International, joining Alcoa in 2002 after 20 years of business experience in the specialty chemicals, medical products, and automotive components industries.

**George L. Miles, Jr.**, a director, has been President and Chief Executive Officer of WQED Multimedia since September 1994. Mr. Miles is also a Director of Equitable Resources, Westwood One, ATS-Chester, Inc., Citizens Financial Group and Harley-Davidson, Inc.

**Steven A. Raymund**, a director, has been the Chief Executive Officer of Tech Data Corporation, a NASDAQ listed company and leading distributor of information technology products, since 1986, and in 1991 was appointed Chairman of the Board of Directors. Mr. Raymund also is a member of the Board of Advisors of the Moffitt Cancer Center in Tampa, Florida and sits on the Board for the Alliance for Excellent Education, which is based in Washington, D.C.

**James L. Singleton**, a director, is Co-Chairman of The Cypress Group, L.L.C. and was a founding partner of that firm in April 1994. Prior to that time, he was a Managing Director in the





**Table of Contents**

Merchant Banking Group at Lehman Brothers. Mr. Singleton is also a Director of ClubCorp Inc., Danka Business Systems PLC, Scotsman Holdings, Inc., and The Meow Mix Company.

**Robert J. Tarr, Jr.**, a director, is a professional director and private investor. He is also a special partner of Chartwell Investments, LLP, a private equity firm. He was the Chairman, Chief Executive Officer and President of HomeRuns.com, Inc. from February 2000 to September 2001. Prior to joining HomeRuns.com, he worked for more than 20 years in senior executive roles for Harcourt General, Inc., including six years as President, Chief Executive Officer, Chief Operating Officer, and he currently is a Director of Harcourt General, Inc. (formerly General Cinema Corporation) and The Neiman Marcus Group, Inc.

**Lynn M. Utter**, a director, joined Coors Brewing Company in 1997 and is currently its Chief Strategy Officer. Prior to her current position, she served in several operational capacities, including Group Vice President of Container, Quality and Technology, Vice President of Container Operations and Vice President of Logistics, Coors Transportation Operations and Transload. Ms. Utter is Chairperson of the University of Texas McComb School of Business Administration Dean's Advisory Council and serves as a Trustee for Mile High United Way.

**William J. Vareschi**, a director, retired as Chief Executive Officer of Central Parking Corporation in May 2003. Before joining Central Parking Corp., his prior business career of more than 35 years of service was spent with the General Electric Company, which he joined in 1965. He held numerous financial management positions within GE, including Chief Financial Officer for GE Plastics Europe (in the Netherlands), GE Lighting (Cleveland, Ohio), and GE Aircraft Engines (Cincinnati, Ohio). Mr. Vareschi was elected to the Board of WMS Industries Inc. on December 9, 2004.

**Kenneth L. Way**, a director, served as Chairman of Lear Corporation from 1988 to 2003, and was affiliated with Lear Corporation and its predecessor companies for 36 years in engineering, manufacturing and general management capacities. Mr. Way retired in January 2003. Mr. Way is also a Director of Comerica, Inc., CMS Energy Corporation, Cooper Standard Automotive, United Way and Karmanos Cancer Institute, and is on the Board of Trustees for Henry Ford Health Systems.

**John J. Engel** has been Senior Vice President and Chief Operating Officer since July 2004. Mr. Engel served from 2003 to 2004 as Senior Vice President and General Manager of Gateway, Inc. From 1999 to 2002, Mr. Engel served as an Executive Vice President and Senior Vice President of Perkin Elmer, Inc. In addition Mr. Engel was a Vice President and General Manager of Allied Signal from 1994 to 1999 and held various management positions in General Electric from 1985 to 1994.

**Stephen A. Van Oss** has been Senior Vice President and Chief Financial and Administrative Officer since July 2004 and, from 2000 to July 2004 served as the Vice President and Chief Financial Officer. Mr. Van Oss also served as our Director, Information Technology from 1997 to 2000 and as our Director, Acquisition Management in 1997. From 1995 to 1996, Mr. Van Oss served as Chief Operating Officer and Chief Financial Officer of Paper Back Recycling of America, Inc. He also held various management positions with Reliance Electric Corporation. Mr. Van Oss is also a director of Williams Scotsman International, Inc. and a member of its audit committee.

**William M. Goodwin** has been Vice President, Operations since March 1994. From 1987 to 1994, Mr. Goodwin served as a branch, district and region manager in various locations and also served as Managing Director of WESCOSA, a former Westinghouse-affiliated manufacturing and distribution business in Saudi Arabia.

**Robert B. Rosenbaum** has been Vice President, Operations since September 1998. From 1982 until 1998, Mr. Rosenbaum was the President of the Bruckner Supply Company, Inc., an integrated supply company that we acquired in September 1998.

**Table of Contents**

**Donald H. Thimjon** has been Vice President, Operations since March 1994. Mr. Thimjon served as Vice President, Utility Group for us from 1991 to 1994 and as Regional Manager from 1980 to 1991.

**Ronald P. Van, Jr.** has been Vice President, Operations since October 1998. Mr. Van was a Vice President and Controller of EESCO, an electrical distributor that we acquired in 1996.

**Daniel A. Brailer** has been Vice President Treasurer, Legal & Investor Relations since May 2006 and previously was Treasurer and Director of Investor Relations since March 1999. From 1982 to 1999, Mr. Brailer held various positions at Mellon Financial Corporation, most recently as Senior Vice President.

**Marcy Smorey-Giger** has been Corporate Counsel and Secretary since May 2004. From 2002 to 2004, Ms. Smorey-Giger served as Corporate Attorney and Manager, Compliance Programs. From 1999 to 2002, Ms. Smorey-Giger served as Compliance and Legal Affairs Manager.

**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following table sets forth compensation information for WESCO International's Chief Executive Officer and for WESCO International's four other most highly compensated executive officers for 2005 (the Named Executive Officers).

Name and Principal Position(s)	Fiscal Year	Annual Compensation		Long Term Compensation Securities Underlying Equity Awards	All Other Compensation (\$)	Total Compensation
		Salary (\$)	Bonus \$(1)	(#s)(2)	(3)(4)(5)(6)(7)(8)	
Roy W. Haley Chairman and Chief Executive Officer	2005	700,000	1,600,000	200,000	136,632	2,436,632
	2004	685,833	1,470,000	200,000	70,678	2,226,511
	2003	615,000	300,000	300,000	35,072	950,072
John J. Engel Senior Vice President and Chief Operating Officer	2005	450,000	530,000	75,000	102,778	1,082,778
	2004	209,711	200,000	200,000	215,560	625,271
	2003					
Stephen A. Van Oss Senior Vice President and Chief Financial and Administrative Officer	2005	408,333	430,000	75,000	65,156	903,489
	2004	325,000	387,000	70,000	38,051	750,051
	2003	300,000	130,000	70,000	25,710	455,710
William M. Goodwin Vice President, Operations	2005	261,667	225,000	25,000	59,338	546,005
	2004	242,000	280,500	30,000	38,308	560,808
	2003	235,833	118,000	38,000	23,548	377,381
Donald H. Thimjon Vice President, Operations	2005	245,333	225,000	25,000	54,071	524,404
	2003	242,000	280,500	35,000	35,852	558,352
	2002	235,833	76,200	38,000	23,874	335,907

- (1) Bonus amounts reflect compensation earned in the indicated fiscal year, but approved and paid in the following year. Bonus amounts reflect awards under documented performance objectives and plans, and are inclusive of a special one-year Value Acceleration Program payment approved by the Board for performance substantially above established goals.
- (2) All equity awards granted to the Named Executive Officers in 2005, 2004 and 2003 were granted under WESCO International's 1999 Long-Term Incentive Plan ( LTIP ), as amended and approved by the Board and stockholders. SARs granted in 2005 have an exercise price of \$31.65 per share. SARs granted in 2004 have an exercise price of \$24.02 per share. Mr. Engel, after joining WESCO International in 2004 was granted stock options at an exercise price of \$16.82 per share. Stock options granted in 2003 have an exercise price of \$5.90 per share. Awards granted under the LTIP are subject to certain time and performance based vesting requirements.

**Table of Contents**

- (3) Includes contributions under the WESCO Distribution, Inc. Retirement Savings Plan in the amounts of (a) \$2,583, \$4,200, \$2,800, \$5,250, and \$6,150 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2005 (b) \$6,000, \$3,938, \$2,600, \$4,925, and \$6,000 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2004, (c) \$6,000, \$-0-, \$2,400, \$4,500, and \$6,000 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2003. An award under WESCO International's Retirement Savings Plan in the form of a discretionary contribution was made to all employees in 2005 for 2004 performance, specifically, in the amounts of \$10,000, \$5,729, \$10,000, \$14,000, and \$14,000 for Messrs. Haley, Engel, Van Oss, Goodwin and Thimjon, respectively.
- (4) Includes contributions under the WESCO Distribution, Inc. Deferred Compensation Plan in the amounts of (a) \$62,517 \$15,300, \$21,060, \$11,015, and \$8,775 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2005 (b) \$22,700, \$-0-, \$10,613, \$5,779, and \$3,341 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2004, (c) \$14,750, \$-0-, \$10,500, \$5,036 and \$2,666 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2003. An award under WESCO International's Retirement Savings Plan in the form of a discretionary contribution was made in 2005 to the Deferred Compensation Plan in the amounts of \$39,115, \$-0-, \$12,646, \$11,183, and \$8,257 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively.
- (5) Includes an annual automobile allowance paid by WESCO International in the amount of \$12,000 for each of Messrs. Haley, Van Oss, Goodwin, and Thimjon in each of 2005, 2004, and 2003. Includes automobile allowance in the amount of \$12,000 in 2005 and \$5,500 in 2004, the year Mr. Engel became employed with WESCO International.
- (6) Includes the dollar value of insurance premiums paid by WESCO International for each executive officer's term life insurance in the amounts of (a) \$2,322, \$540, \$1,242, \$3,713 and \$3,366 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2005, (b) \$2,419, \$225, \$1,294, \$2,208, and \$3,152 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2004, (c) \$2,322, \$-0-, \$810, \$2,012, and \$3,208 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2003.
- (7) Includes non-cash awards in the amounts of (a) \$8,095, \$-0-; \$5,408, \$2,177, and \$1,523 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2005, (b) \$7,809, \$1,675, \$5,094, \$2,177 and \$840 for Messrs. Haley, Engel, Van Oss, Goodwin, and Thimjon, respectively, in 2004.
- (8) Includes relocation allowance paid by WESCO International for Mr. Engel in the amounts of \$65,009 and \$204,222 in 2005 and 2004 respectively.

**SARs Grants in Last Fiscal Year**

Name	Number of Securities Underlying SARs Granted	% of Total SARs Granted to Employees in	Exercise		Potential Realizable Value at Assumed Rates of Stock Price Appreciation for SAR Term(1)	
			Price (\$/Sh)	Expiration Date	5%	10%

**Fiscal  
Year**

Roy W. Haley	200,000	22.00%	31.65	7/1/2015	3,980,000	10,088,000
John J. Engel	75,000	8.25%	31.65	7/1/2015	1,492,500	3,783,000
Stephen A. Van Oss	75,000	8.25%	31.65	7/1/2015	1,492,500	3,783,000
William M. Goodwin	25,000	2.75%	31.65	7/1/2015	497,500	1,261,000
Donald H. Thimjon	25,000	2.75%	31.65	7/1/2015	497,500	1,261,000

*Note:* During 2003, WESCO International adopted the measurement provisions of SFAS No. 123, Accounting for Stock-Based Compensation and began expensing equity awards. WESCO International recognized \$8.6 million of compensation expense related to all awards in the year ended December 31, 2005.

(1) Amounts represent hypothetical gains that could be achieved for the respective SARs if exercised at the end of the SARs term. These gains are based on assumed rates of stock price appreciation of 5% and 10% compounded annually from the date the respective SARs were granted to their expiration date. These assumptions are not intended to forecast future appreciation of our stock price. The potential realizable value computation does not take into account federal or state income tax consequences of SARs exercises or sales of appreciated stock.

**Table of Contents****Aggregated Option/ SARs Exercises in Last Fiscal Year and Fiscal Year-End Option/ SARs Values**

The table below sets forth information for each Named Executive Officer with regard to the aggregate (stock options and SARs) held at December 31, 2005.

Name	Shares Acquired on Exercise (#)	Value Realized (#)	Number of Securities Underlying Unexercised Option/SARs Awards at FY-End		Value of Unexercised In-the-Money Option/SARs Awards at FY-End \$(1)	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable 10%
Roy W. Haley	N/A	N/A	808,542	958,458	29,942,502	25,899,658
John J. Engel	N/A	N/A	33,334	241,666	863,684	5,149,316
Stephen A. Van Oss	25,000	668,250	130,963	271,009	4,217,782	6,962,181
William M. Goodwin	10,525	261,651	84,283	175,352	2,634,489	4,853,667
Donald H. Thimjon	54,808	1,494,674	11,667	178,685	218,290	5,193,027

(1) Based on the closing market price per share of \$42.73 as reported on the NYSE on December 31, 2005.

During December 2003, in a privately negotiated transaction with 19 employees, including Messrs. Haley, Goodwin, and Thimjon, WESCO International redeemed the net equity value of stock options originally granted in 1994 and 1995, representing approximately 2.9 million shares. The options held by the employees had a weighted average price of \$1.75. The options were redeemed at a price of \$8.63 per share, effective for accounting purposes, as of December 31, 2003. The transaction was settled, and the aggregate cash payment of \$20.1 million was made on January 6, 2004.

**Employment Agreements**

**Employment Agreement with the Chief Executive Officer.** WESCO International is a party to an employment agreement with Mr. Haley providing for a rolling employment term of three years. Pursuant to this agreement, Mr. Haley is entitled to an annual base salary of at least \$500,000, the actual amount of which may be adjusted by the Board from time to time, and an annual incentive bonus equal to a percentage of his annual base salary ranging from 0% to 200%. The actual amount of Mr. Haley's annual incentive bonus will be determined based upon WESCO International's financial performance as compared to the annual performance objectives established for the relevant fiscal year. If Mr. Haley's employment is terminated by WESCO International without cause, by Mr. Haley for good reason or as a result of Mr. Haley's death or disability, Mr. Haley is entitled to continued payments of his average annual base salary and his average annual incentive bonus, reduced by any disability payments for the three-year period, or in the case of a termination due to Mr. Haley's death or disability, the two-year period, following such termination, and continued welfare benefit coverage for the two-year period following such termination. In addition, in the event of any such qualifying termination, all outstanding options held by Mr. Haley will become fully vested.

The agreement further provides that, in the event of the termination of Mr. Haley's employment by WESCO International without cause or by Mr. Haley for good reason, in either such case, within the two-year period following a change in control of WESCO International, in addition to the termination benefits described above, Mr. Haley is entitled to receive continued welfare benefit coverage and payments in lieu of additional contributions to WESCO International's Retirement Savings Plan and Deferred Compensation Plan for the three-year period following such change in control. WESCO International has agreed to provide Mr. Haley with an excise tax gross up with respect to any excise taxes Mr. Haley may be obligated to pay pursuant to Section 4999 of the United States Internal Revenue Code of 1986 on any excess parachute payments. In addition, following a change in control, Mr. Haley is entitled to a minimum annual bonus equal to 50% of his base salary, and the definition of good reason

**Table of Contents**

is modified to include certain additional events. The agreement also contains customary covenants regarding nondisclosure of confidential information and non-competition and nonsolicitation restrictions.

***Employment Agreement with the Chief Operating Officer.*** WESCO International is a party to an employment agreement with Mr. Engel providing for an employment term of two years, subject to automatic renewals for an additional year as of each annual anniversary of the agreement. The agreement provides that Mr. Engel is entitled to an annual base salary of at least \$450,000, subject to adjustment by the Board, and incentive compensation under WESCO International's incentive compensation and other bonus plans for senior executives in amounts ranging from 0% to 100% his annual base salary, based upon WESCO International's achievement of earnings, sales growth and return on investment or other performance criteria established by the Compensation Committee.

If Mr. Engel's employment is terminated by reason of his death, WESCO International will pay the amount of his accrued but unpaid base salary through his date of death, any accrued but unpaid incentive compensation, any other reimbursable amounts and any payments required to be made under WESCO International's employee benefit plans or programs. If Mr. Engel's employment is terminated by reason of disability, he will continue to receive his base salary and all welfare benefits through the date of disability, offset by the amount of any disability income payments provided under WESCO International's disability insurance. If Mr. Engel's employment is terminated by WESCO International without cause or by him for good reason, he is entitled to his accrued but unpaid base salary through the date of termination, a cash amount equal to his pro rata incentive compensation for the fiscal year in which the termination occurs, monthly cash payments equal to 1.5 times his monthly base salary as of the date of termination for the greater of (i) the remainder of the employment agreement's term, or (ii) eighteen months following the date of termination, and continued welfare benefit coverage for the two years. In such event, all stock options, except those that will remain unvested due to specified operational or financial performance criteria not being satisfactorily achieved, will become fully vested, and WESCO International will pay the full cost of his COBRA continuation coverage. If Mr. Engel's employment is so terminated within one year following a change in control of WESCO International, the cash amount equal to 1.5 times his monthly base salary will be paid in monthly installments for 24 months. WESCO International has agreed to provide Mr. Engel with a partial excise tax gross up with respect to any excise taxes Mr. Engel may be obligated to pay. The agreement also contains customary covenants regarding nondisclosure of confidential information and non-competition and non-solicitation restrictions. Additionally, under the terms of the agreement, WESCO International paid approximately \$204,222 and \$65,009 in relocation expenses on behalf of Mr. Engel in 2004 and 2005, respectively.

***Employment Agreement with the Chief Financial Officer.*** WESCO International is party to an employment agreement with Mr. Van Oss providing for an employment term of two years, subject to automatic renewals for an additional year as of each annual anniversary of the agreement. The agreement provides that Mr. Van Oss is entitled to an annual base salary of at least \$450,000, subject to adjustment by the Board, and incentive compensation under WESCO International's incentive compensation and other bonus plans for senior executives in amounts ranging from 0% to 100% his annual base salary, based upon WESCO International's achievement of earnings, sales growth and return on investment or other performance criteria established by the Compensation Committee.

If Mr. Van Oss's employment is terminated by reason of his death, WESCO International will pay the amount of his accrued but unpaid base salary through his date of death, any accrued but unpaid incentive compensation, any other reimbursable amounts and any payments required to be made under WESCO International's employee benefit plans or programs. If Mr. Van Oss's employment is terminated by reason of disability, he will continue to receive his base salary and all welfare benefits through the date of disability, offset by the amount of any disability income



**Table of Contents**

payments provided under WESCO International's disability insurance. If Mr. Van Oss's employment is terminated by WESCO International without cause or by him for good reason, he is entitled to his accrued but unpaid base salary through the date of termination, a cash amount equal to his pro rata incentive compensation for the fiscal year in which the termination occurs, monthly cash payments equal to 1.5 times his monthly base salary as of the date of termination for the greater of (i) the remainder of the employment agreement's term, or (ii) eighteen months following the date of termination, and continued welfare benefit coverage for the two years. In such event, all stock options, except those that will remain unvested due to specified operational or financial performance criteria not being satisfactorily achieved, will become fully vested, and WESCO International will pay the full cost of his COBRA continuation coverage. If Mr. Van Oss's employment is so terminated within one year following a change in control of WESCO International, the cash amount equal to 1.5 times his monthly base salary will be paid in monthly installments for 24 months. WESCO International has agreed to provide Mr. Van Oss with a partial excise tax gross up with respect to any excise taxes Mr. Van Oss may be obligated to pay. The agreement also contains customary covenants regarding nondisclosure of confidential information and non-competition and non-solicitation restrictions.

**Compensation Committee Interlocks**

None of WESCO International's executive officers serve as an executive officer of, or as a member of the compensation committee of any public company entity that has an executive officer, Director or other designee serving as a member of WESCO International's Board.

**Table of Contents****SECURITY OWNERSHIP**

The following table sets forth the beneficial ownership of WESCO International's Common Stock as of July 31, 2006, by each person or group known by WESCO International to beneficially own more than five percent of its outstanding Common Stock, each Director, each of the Named Executive Officers, and all Directors and executive officers as a group. Unless otherwise indicated, the holders of all shares shown in the table have sole voting and investment power with respect to such shares. In determining the number and percentage of shares beneficially owned by each person, shares that may be acquired by such person pursuant to options or convertible stock exercisable or convertible within 60 days of July 31, 2006 are deemed outstanding for purposes of determining the total number of outstanding shares for such person and are not deemed outstanding for such purpose for all other stockholders.

Name	Shares Beneficially Owned(1)	Percent Owned Beneficially
FMR Corporation 82 Devonshire Street Boston, Massachusetts 02109	7,106,159(2)	14.5%
Putnam, LLC d/b/a Putnam Investments One Post Office Square Boston, Massachusetts 02109	2,631,966(3)	5.4%
Roy W. Haley	1,802,720	3.6%
Stephen A. Van Oss	252,379	*
John J. Engel	241,667	*
Donald H. Thimjon	87,834	*
William M. Goodwin	70,253	*
Robert J. Tarr, Jr.	20,000	*
James L. Singleton	10,000	*
Kenneth L. Way	10,453	*
Sandra Beach Lin	5,350	*
George L. Miles, Jr.	5,000	*
William J. Vareschi	5,000	*
Lynn M. Utter		
Steven A. Raymund		
All 17 executive officers and Directors as a group	2,586,043	5.1%

\* Indicates ownership of less than 1% of the Common Stock.

(1) The beneficial ownership of Directors set forth in the following table does not reflect shares of common stock payable to any such Director following the Director's termination of Board service with respect to portions of annual fees deferred under WESCO International's Deferred Compensation Plan for Non-Employee Directors or in settlement of any options or SARs granted to any such Director under that plan to the extent that those options or SARs may not be exercised or settled within 60 days of July 31, 2006.

(2) Based on a Schedule 13G/A filed under the Securities Exchange Act of 1934 by FMR Corporation and its affiliates on February 14, 2006.

(3)

Edgar Filing: WESCO DISTRIBUTION INC - Form 424B3

Based on a schedule 13G/A filed under the Securities Exchange Act of 1934 by Putnam, LLC d/b/a Putnam Investments and its affiliates on February 10, 2006.

**Table of Contents**

**DESCRIPTION OF OTHER INDEBTEDNESS**

We are party to a revolving credit facility, an accounts receivable securitization facility, a mortgage financing facility, a note payable to Bruckner Supply Company, Inc. and a note payable to Fastec Industrial Corp. The principal terms of these financing arrangements are summarized under Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources elsewhere in this prospectus

In addition, the Debentures are guaranteed on a senior subordinated basis by us. The guarantee of the Debentures is subordinated in right of payment to all of our existing and future senior debt. The guarantee is *pari passu* with our other existing and future senior subordinated indebtedness, including the notes. The Debentures are not guaranteed by any of WESCO International's subsidiaries other than us. The principal terms of the Debentures are summarized under Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources elsewhere in this prospectus.

**Table of Contents**

**DESCRIPTION OF THE NOTES**

**General**

The notes were issued under an indenture dated as of September 27, 2005, among WESCO Distribution, WESCO International, as guarantor, and J.P. Morgan Trust Company, National Association, as trustee (the Indenture ). Upon the effectiveness of the registration statement of which this prospectus is a part, the Indenture will be subject to and governed by the TIA. The following is a summary of all material provisions of the Indenture and the notes. The Indenture and the exchange and registration rights agreement have been filed as exhibits to the registration statement of which this prospectus is a part. Capitalized terms used herein and not otherwise defined have the meanings set forth below under Certain Definitions. For purposes of this Description of the Notes, the term WESCO Distribution refers only to WESCO Distribution, Inc. and not to any of its Subsidiaries.

We initially issued the original notes in an aggregate principal amount of \$150.0 million. In July 2006, we completed an exchange offer in which all outstanding original notes were exchanged for exchange notes. The terms of the exchange notes are identical in all material respects to the original notes, except for certain transfer restrictions and registration and other rights relating to the exchange of the original notes for exchange notes.

Subject to the covenant described below under Certain Covenants Limitation on Indebtedness, we may issue additional notes from time to time having identical terms and conditions to the notes (the Additional Notes ). The notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

Principal, premium, if any, and interest on the notes will be payable, and the notes may be exchanged or transferred, at the office or agency of WESCO Distribution in the Borough of Manhattan, the City of New York (which initially shall be the corporate trust office of the Trustee in New York, New York), except that, at our option, payment of interest may be made by check mailed to the registered holders of the notes at their registered addresses.

We will issue the notes only in fully registered form, without coupons, in denominations of \$2,000 and any integral multiple of \$1,000. We will not charge any service charge for any registration of transfer or exchange of notes, but may require payment of a sum sufficient to cover any transfer tax, assessment or other similar governmental charge payable in connection therewith.

**Terms of the Notes**

The notes will be unsecured senior subordinated obligations of WESCO Distribution and will mature on October 15, 2017. Each note will bear interest at a rate per annum shown on the front cover of this prospectus from September 27, 2005, or from the most recent date to which interest has been paid or provided for, payable semiannually to the Noteholders of record at the close of business on the April 1 or October 1 immediately preceding the interest payment date on April 15 and October 15 of each year, commencing April 15, 2006.

**Optional Redemption**

Except as set forth in the following paragraph, we will not have the option to redeem the notes prior to October 15, 2010. On or after October 15, 2010, we will have the option to redeem the notes, in whole or in part, upon not less than 30 nor more than 60 days prior notice, at the following redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest and additional interest (if any) to the redemption date (subject to the right of

**Table of Contents**

holders of record on the relevant record date to receive interest due on the relevant interest payment date), if we redeem during the 12-month period commencing on October 15 of the years set forth below:

Year	Redemption Price
2010	103.750%
2011	102.500%
2012	101.250%
2013 and thereafter	100.000%

Notwithstanding the foregoing, at any time prior to October 15, 2008, WESCO Distribution may on any one or more occasions redeem up to an aggregate of 35% of the notes originally issued at a redemption price of 107.500% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the redemption date, with the Net Cash Proceeds of one or more Equity Offerings by WESCO Distribution or the Net Cash Proceeds of one or more Equity Offerings by WESCO International that are contributed to WESCO Distribution as common equity capital; provided, that at least 65% of the notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

Notice of any redemption upon any Equity Offering may be given prior to the redemption thereof, and any such redemption or notice may, at WESCO Distribution's discretion, be subject to the completion of the related Equity Offering.

**Selection**

In the case of any partial redemption, the Trustee will select the notes for redemption on a pro rata basis or by lot although we will not redeem in part any note of \$1,000 in original principal amount or less. If we are to redeem any note in part only, the notice of redemption relating to such note must state the certificate number and the portion of the principal amount of the note that we will redeem, and we will issue an exchange note in principal amount equal to the unredeemed portion thereof upon cancellation of the original note.

**Ranking**

The indebtedness evidenced by the notes will be unsecured Senior Subordinated Indebtedness of WESCO Distribution, will be subordinated in right of payment, as set forth in the Indenture, to all existing and future Senior Indebtedness of WESCO Distribution, will rank *pari passu* in right of payment with all existing and future Senior Subordinated Indebtedness of WESCO Distribution and will be senior in right of payment to all existing and future Subordinated Obligations of WESCO Distribution. The notes will also be effectively subordinated to any Secured Indebtedness of WESCO Distribution and its Subsidiaries to the extent of the value of the assets securing such Indebtedness and will be structurally subordinated to all other obligations of the Subsidiaries of WESCO Distribution. However, payment from the money or the proceeds of U.S. Government obligations held in any defeasance trust described under Defeasance below is not subordinated to any Senior Indebtedness or subject to the restrictions described herein.

We conduct certain of our operations through Subsidiaries of WESCO Distribution. Claims of creditors of such Subsidiaries, including trade creditors, and claims of preferred stockholders (if any) of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of creditors of WESCO Distribution, including the Noteholders. The notes, therefore, will be structurally subordinated to creditors (including trade

**Table of Contents**

creditors) and preferred stockholders (if any) of Subsidiaries of WESCO Distribution. As of June 30, 2006, the Subsidiaries of WESCO Distribution had no Indebtedness, excluding Guarantees of \$29 million of Indebtedness under the revolving credit facility and \$48 million of borrowings under the mortgage facility, other than trade payables and other liabilities incurred in the ordinary course of business. Although the Indenture will limit the Incurrence of Indebtedness by and the issuance of preferred stock of certain of WESCO Distribution's Subsidiaries, such limitation is subject to a number of significant qualifications.

As of June 30, 2006:

the outstanding Senior Indebtedness of WESCO Distribution was approximately \$75 million, of which approximately \$51 million was Secured Indebtedness (exclusive of unused commitments under the revolving credit facility); and

WESCO Distribution had no outstanding Senior Subordinated Indebtedness other than the notes and its guarantee of the \$150.0 million of the Debentures and no outstanding Indebtedness that is subordinate or junior in right of repayment to the notes.

Although the Indenture contains limitations on the amount of additional Indebtedness which WESCO Distribution may incur, under certain circumstances the amount of such Indebtedness could be substantial and, in any case, such Indebtedness may be Senior Indebtedness. See Certain Covenants Limitation on Indebtedness.

With respect to WESCO Distribution, Senior Indebtedness means the principal of, premium (if any) and accrued and unpaid interest on (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization of WESCO Distribution, regardless of whether or not a claim for post-filing interest is allowed in such proceedings), and fees and other amounts owing in respect of, Bank Indebtedness and all other Indebtedness of WESCO Distribution, whether outstanding on the Closing Date or thereafter Incurred, unless in the instrument creating or evidencing the same or pursuant to which the same is outstanding it is provided that such obligations are not superior in right of payment to the notes; provided, however, that Senior Indebtedness does not include:

any obligation of WESCO Distribution to any Subsidiary;

any liability for federal, state, local or other taxes owed or owing by WESCO Distribution;

any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

any Indebtedness or obligation of WESCO Distribution (and any accrued and unpaid interest in respect thereof) that by its terms is subordinate or junior in any respect to any other Indebtedness or obligation of WESCO Distribution, including any Senior Subordinated Indebtedness of WESCO Distribution and any Subordinated Obligations of WESCO Distribution;

any payment obligations with respect to any Capital Stock; or

any Indebtedness incurred in violation of the Indenture.

Senior Indebtedness of WESCO International has a correlative meaning.

Only Indebtedness of WESCO Distribution that is Senior Indebtedness will rank senior to the notes in accordance with the provisions of the Indenture. The notes will in all respects rank *pari passu* with all other Senior Subordinated Indebtedness of WESCO Distribution. WESCO Distribution has agreed in the Indenture that it will not incur, directly or indirectly, any Indebtedness which is subordinate or junior in ranking in any respect to Senior Indebtedness unless such Indebtedness is Senior Subordinated Indebtedness or is expressly subordinated in

**Table of Contents**

right of payment to Senior Subordinated Indebtedness. Unsecured Indebtedness is not deemed to be subordinate or junior to Secured Indebtedness merely because it is unsecured.

WESCO Distribution may not pay principal of, premium (if any) or interest on the notes, or any additional interest payable pursuant to the provisions set forth in the notes and the Registration Rights Agreement, or make any deposit pursuant to the provisions described under Defeasance below, and may not otherwise repurchase, redeem or otherwise retire any notes (collectively, pay the notes ) if:

any Designated Senior Indebtedness is not paid in cash or cash equivalents when due; or

any other default on Designated Senior Indebtedness occurs and the maturity of such Designated Senior Indebtedness is accelerated in accordance with its terms unless, in either case the default has been cured or waived and any such acceleration has been rescinded or such Designated Senior Indebtedness has been paid in full in cash or cash equivalents.

However, WESCO Distribution may pay the notes without regard to the foregoing, if WESCO Distribution and the Trustee receive written notice approving such payment from the Representative of the Designated Senior Indebtedness with respect to which either of the events set forth above has occurred and is continuing. During the continuance of any default (other than a default described in the preceding paragraph) with respect to any Designated Senior Indebtedness pursuant to which the maturity thereof may be accelerated immediately without further notice (except such notice as may be required to effect such acceleration) or the expiration of any applicable grace periods, WESCO Distribution may not pay the notes for a period, referred to as Payment Blockage Period, commencing upon the receipt by the Trustee (with a copy to WESCO Distribution) of written notice, or Blockage Notice, of such default from the Representative of such Designated Senior Indebtedness specifying an election to effect a Payment Blockage Period and ending 179 days thereafter (or earlier if such Payment Blockage Period is terminated by written notice to the Trustee and WESCO Distribution from the Person or Persons who gave such Blockage Notice, by repayment in full in cash or cash equivalents of such Designated Senior Indebtedness or because the default giving rise to such Blockage Notice is no longer continuing). Notwithstanding the provisions described in the immediately preceding sentence (but subject to the provisions contained in the first sentence of this paragraph), unless the holders of such Designated Senior Indebtedness or the Representative of such holders have accelerated the maturity of such Designated Senior Indebtedness, WESCO Distribution may resume payments on the notes after the end of such Payment Blockage Period. Not more than one Blockage Notice may be given in any consecutive 360-day period, irrespective of the number of defaults with respect to Designated Senior Indebtedness during such period. However, if any Blockage Notice within such 360-day period is given by or on behalf of any holders of Designated Senior Indebtedness other than the Bank Indebtedness, the Representative of the Bank Indebtedness may give another Blockage Notice within such period. In no event, however, may the total number of days during which any Payment Blockage Period or Periods is in effect exceed 179 days in the aggregate during any 360 consecutive day period. For purposes of this paragraph, no default or event of default that existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Designated Senior Indebtedness initiating such Payment Blockage Period shall be, or be made, the basis of the commencement of a subsequent Payment Blockage Period by the Representative of such Designated Senior Indebtedness, whether or not within a period of 360 consecutive days, unless such default or event of default has been cured or waived for a period of not less than 90 consecutive days.

Upon any payment or distribution of the assets of WESCO Distribution to creditors upon a total or partial liquidation or a total or partial dissolution of WESCO Distribution or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to WESCO



## **Table of Contents**

Distribution or its property, (1) the holders of Senior Indebtedness of WESCO Distribution will be entitled to receive payment in full in cash or cash equivalents of such Senior Indebtedness before the Noteholders are entitled to receive any payment of principal of, interest, premium (if any) or additional interest on the notes and (2) until such Senior Indebtedness is paid in full in cash or cash equivalents, any payment or distribution to which Noteholders would be entitled but for the subordination provisions of the Indenture will be made to holders of such Senior Indebtedness as their interests may appear. If a distribution is made to Noteholders that due to the subordination provisions of the Indenture should not have been made to them, such Noteholders are required to hold it in trust for the holders of Senior Indebtedness of WESCO Distribution and pay it over to them as their interests may appear.

If payment of the notes is accelerated because of an Event of Default, WESCO Distribution or the Trustee shall promptly notify the holders of the Designated Senior Indebtedness (or their Representative) of the acceleration. If any Designated Senior Indebtedness is outstanding, WESCO Distribution may not pay the notes until five Business Days after such holders or the Representative of the Designated Senior Indebtedness receive notice of such acceleration and, thereafter, may pay the notes only if the subordination provisions of the Indenture otherwise permit payment at that time.

By reason of these subordination provisions contained in the Indenture, in the event of insolvency, creditors of WESCO Distribution who are holders of Senior Indebtedness of WESCO Distribution may recover more, ratably, than the Noteholders, and creditors of WESCO Distribution who are not holders of Senior Indebtedness of WESCO Distribution or of Senior Subordinated Indebtedness of WESCO Distribution (including the notes) may recover less, ratably, than holders of Senior Indebtedness of WESCO Distribution and may recover more, ratably, than the holders of Senior Subordinated Indebtedness of WESCO Distribution.

### **WESCO International Guarantee**

WESCO International, as primary obligor and not merely as surety, will irrevocably and unconditionally Guarantee on an unsecured senior basis the performance and full and punctual payment when due, whether at Stated Maturity, by acceleration or otherwise, of all obligations of WESCO Distribution under the Indenture and the notes, whether for payment of principal of or interest on or additional interest in respect of the notes, expenses, indemnification or otherwise (all such obligations guaranteed by WESCO International are referred to herein as the Guaranteed Obligations ). WESCO International has agreed to pay, in addition to the amount stated above, any and all costs and expenses (including reasonable counsel fees and expenses) incurred by the Trustee or the Noteholders in enforcing any rights under the WESCO International Guarantee. The WESCO International Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be Guaranteed by WESCO International without rendering the Indenture, as it relates to WESCO International, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

The obligations of WESCO International under its Guarantee are senior obligations. As such, the rights of Noteholders to receive payment by WESCO International pursuant to the Guarantee will be *pari passu* in right of payment to the rights of holders of Senior Indebtedness of WESCO International, including the Debentures. You should not rely on the WESCO International Guarantee in evaluating an investment in the notes.

### **Change of Control**

Upon the occurrence of any of the following events, each of which is a Change of Control, unless all notes have been called for redemption pursuant to the provisions described above under Optional Redemption, each Noteholder will have the right to require WESCO

**Table of Contents**

Distribution to repurchase all or any part of such Noteholder's notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of Noteholders of record on the relevant record date to receive interest due on the relevant interest payment date):

(A) any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner, as that term is defined in Rules 13d-3 and 13d-5 of the Exchange Act (except that for purposes of this clause, such person shall be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of WESCO Distribution or WESCO International;

during any period of two consecutive years commencing on the Closing Date, individuals who at the beginning of such period constituted the board of directors of WESCO Distribution or WESCO International, as the case may be (together with any new directors whose election by such board of directors of WESCO Distribution or WESCO International, as the case may be, or whose nomination for election by the shareholders of WESCO Distribution or WESCO International, as the case may be, was approved by a vote of 66<sup>2</sup>/<sub>3</sub> % of the directors of WESCO Distribution or WESCO International, as the case may be, then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of WESCO Distribution or WESCO International, as the case may be, then in office; or

the merger or consolidation of WESCO Distribution or WESCO International with or into another Person or the merger of another Person with or into WESCO Distribution or WESCO International, or the sale of all or substantially all the assets of WESCO Distribution or WESCO International to another Person, and, in the case of any such merger or consolidation, the securities of WESCO Distribution or WESCO International that are outstanding immediately prior to such transaction and which represent 100% of the aggregate voting power of the Voting Stock of WESCO Distribution or WESCO International are changed into or exchanged for cash, securities or property, unless pursuant to such transaction such securities are changed into or exchanged for, in addition to any other consideration, securities of the surviving Person that represent immediately after such transaction, at least a majority of the aggregate voting power of the Voting Stock of the surviving Person; provided, however, that any sale of accounts receivable in connection with a Qualified Receivables Transaction will not constitute a Change of Control.

Within 30 days following any Change of Control, unless all notes have been called for redemption pursuant to the provisions described above under Optional Redemption, WESCO Distribution will, except as described below, mail a notice, referred to as a Change in Control Offer, to each Noteholder with a copy to the Trustee stating:

that a Change of Control has occurred and that such Noteholder has the right to require WESCO Distribution to purchase such Noteholder's notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, to the date of repurchase (subject to the right of Noteholders of record on the relevant record date to receive interest on the relevant interest payment date);

the circumstances and relevant facts regarding such Change of Control;

the repurchase date (which can be no earlier than 30 days nor later than 60 days from the date such notice is mailed); and

**Table of Contents**

the instructions determined by WESCO Distribution, consistent with this covenant, that a Noteholder must follow in order to have its notes purchased.

WESCO Distribution will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by WESCO Distribution and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

The phrase all or substantially all, as used with respect to a sale of assets in the definition in the Indenture of Change of Control, varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (the law governing such Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances, there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of all or substantially all of the assets of a Person and therefore it may be unclear whether a Change of Control has occurred.

WESCO Distribution will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, WESCO Distribution will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

Our management has no present intention to engage in a transaction involving a Change of Control, although it is possible that we would decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect WESCO Distribution's capital structure or credit ratings. Restrictions on the ability of WESCO Distribution to incur additional Indebtedness are contained in the covenants described under Certain Covenants Limitation on Indebtedness and Limitation on Liens. Such restrictions can only be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the notes protection in the event of a highly leveraged transaction.

The occurrence of certain of the events which would constitute a Change of Control would constitute a default under the Credit Agreement. Future Senior Indebtedness of WESCO Distribution may contain prohibitions of certain events which would constitute a Change of Control or require such Senior Indebtedness to be repurchased upon a Change of Control. Prior to the mailing of the notice referred to above, but in any event within 30 days following the date on which WESCO Distribution becomes aware that a Change of Control has occurred, if the purchase of the notes would violate or constitute a default under any other Indebtedness of WESCO Distribution, then WESCO Distribution must, to the extent needed to permit such purchase of notes, either repay all such Indebtedness and terminate all commitments outstanding thereunder or request the holders of such Indebtedness to give the requisite consents to permit the purchase of the notes as provided above. Until such time as WESCO Distribution is able to repay all such Indebtedness and terminate all commitments outstanding thereunder or such time as such requisite consents are obtained, WESCO Distribution will not be required to make the Change of Control Offer or purchase the notes pursuant to the provisions described above. Finally, WESCO Distribution's ability to pay cash to the Noteholders upon a repurchase may be limited by its then existing financial resources. We can make no assurance that sufficient funds will be available when necessary to make any required repurchases. See Ranking. The provisions under the Indenture relative to WESCO Distribution's obligation to make an offer to

**Table of Contents**

repurchase the notes as a result of a Change of Control, if WESCO Distribution is permitted by the terms of the Credit Agreement and any other Indebtedness to make such offer and repurchase, may only be waived or modified with the written consent of the holders of a majority in principal amount of the notes.

**Certain Covenants**

The Indenture contains covenants including, among others, the following:

***Limitation on Indebtedness.***

WESCO Distribution will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that WESCO Distribution may Incur Indebtedness if on the date of such Incurrence and after giving effect thereto the Consolidated Coverage Ratio would be greater than 2.00:1.00.

Notwithstanding the foregoing paragraph (a), WESCO Distribution and its Restricted Subsidiaries may incur the following Indebtedness:

(i) Indebtedness Incurred pursuant to the Credit Agreement or any other Credit Facility in an aggregate principal amount up to the greater of the Borrowing Base and \$350.0 million;

(ii) Indebtedness of WESCO Distribution owed to and held by any Wholly Owned Subsidiary or Indebtedness of a Restricted Subsidiary owed to and held by WESCO Distribution or any Wholly Owned Subsidiary; provided, however, that (A) any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Wholly Owned Subsidiary ceasing to be a Wholly Owned Subsidiary or any subsequent transfer of any such Indebtedness (except to WESCO Distribution or a Wholly Owned Subsidiary) will be deemed, in each case, to constitute the Incurrence of such Indebtedness by the issuer thereof and (B) if WESCO Distribution is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the notes;

(iii) Indebtedness (A) represented by the notes (not including any Additional Notes), and the related exchange notes issued in a registered exchange offer pursuant to the Registration Rights Agreement, (B) outstanding on the Closing Date (including the Guarantee by WESCO Distribution of the Debentures) (other than the Indebtedness described in clauses (i) and (ii) above), (C) consisting of Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (iii) (including Indebtedness that Refinances any Refinancing Indebtedness) or the foregoing paragraph (a), and (D) consisting of Guarantees of Indebtedness permitted under clauses (i) and (ii) of this paragraph (b);

(iv) (A) Indebtedness of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Restricted Subsidiary was acquired by WESCO Distribution (other than Indebtedness Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Subsidiary of or was otherwise acquired by WESCO Distribution); provided, however, if the aggregate amount of all such Indebtedness of all such Restricted Subsidiaries would exceed \$50.0 million, that on the date that such Restricted Subsidiary is acquired by WESCO Distribution, it would have been able to Incur \$1.00 of additional Indebtedness pursuant to the foregoing paragraph (a) after giving effect to the Incurrence of such Indebtedness pursuant to this clause (iv) and (B) Refinancing Indebtedness Incurred by a Restricted Subsidiary in respect of Indebtedness Incurred by such Restricted Subsidiary pursuant to this clause (iv);

**Table of Contents**

(v) Indebtedness (A) in respect of performance bonds, bankers' acceptances, letters of credit and surety or appeal bonds provided by WESCO Distribution and the Restricted Subsidiaries in the ordinary course of their business, and (B) under Hedging Obligations consisting of Interest Rate Agreements directly related (as determined in good faith by WESCO Distribution) to Indebtedness permitted to be Incurred by WESCO Distribution and its Restricted Subsidiaries pursuant to the Indenture and Currency Agreements Incurred in the ordinary course of business;

(vi) Indebtedness Incurred by WESCO Distribution or any Restricted Subsidiary (including Capitalized Lease Obligations) financing the purchase, lease or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of the Person owning such assets), in each case Incurred no more than 180 days after such purchase, lease or improvement of such property and any Refinancing Indebtedness in respect of such Indebtedness; provided, however, that at the time of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount of all such Indebtedness Incurred pursuant to this clause (vi) (or, prior to the Closing Date, pursuant to the corresponding provision of the 1998 Notes Indenture) and then outstanding shall not exceed the greater of \$50 million and 7% of Adjusted Consolidated Assets;

(vii) Indebtedness Incurred by WESCO Distribution in connection with the acquisition of a Related Business and any Refinancing Indebtedness in respect of such Indebtedness; provided, however, that the aggregate amount of all such Indebtedness Incurred and outstanding pursuant to this clause (vii) shall not exceed \$75.0 million at any one time;

(viii) Attributable Debt Incurred by WESCO Distribution in respect of Sale/Leaseback Transactions; provided, however, that the aggregate amount of any such Attributable Debt Incurred and outstanding pursuant to this clause (viii) shall not exceed \$75.0 million at any one time;

(ix) Indebtedness arising from agreements of WESCO Distribution or a Restricted Subsidiary providing for indemnification, purchase price adjustment or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; provided, however, that the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by WESCO Distribution and its Restricted Subsidiaries in connection with such disposition;

(x) any Guarantee by WESCO Distribution of Indebtedness or other obligations of any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness Incurred by such Restricted Subsidiary is permitted under the terms of the Indenture;

(xi) Indebtedness arising from Guarantees to suppliers, lessors, licensees, contractors, franchisees or customers Incurred in the ordinary course of business;

(xii) Indebtedness Incurred by a Receivables Entity in a Qualified Receivables Transaction that is not recourse to WESCO Distribution or any other Restricted Subsidiary of WESCO Distribution (except for Standard Securitization Undertakings); and

(xiii) Indebtedness (other than Indebtedness permitted to be Incurred pursuant to the foregoing paragraph (a) or any other clause of this paragraph (b)) in an aggregate principal amount on the date of Incurrence that, when added to all other such Indebtedness Incurred pursuant to this clause (xiii) and then outstanding, shall not exceed \$75.0 million.

(c) WESCO Distribution will not incur any Indebtedness if such Indebtedness is subordinate or junior in ranking in any respect to any Senior Indebtedness unless such Indebtedness is

65

---

**Table of Contents**

Senior Subordinated Indebtedness or is expressly subordinated in right of payment to Senior Subordinated Indebtedness.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that WESCO Distribution or any Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rates of currencies. For purposes of determining the outstanding principal amount of any particular Indebtedness Incurred pursuant to this covenant, (i) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness and (ii) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this covenant, WESCO Distribution, in its sole discretion, shall classify or reclassify such Indebtedness and only be required to include the amount of such Indebtedness in one of such clauses.

***Limitation on Restricted Payments***

(a) WESCO Distribution will not, and will not permit any Restricted Subsidiary, directly or indirectly, to (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving WESCO Distribution) or similar payment to the direct or indirect holders of its Capital Stock except dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock) and except dividends or distributions payable to WESCO Distribution or another Restricted Subsidiary (and, if such Restricted Subsidiary has equity holders other than WESCO Distribution or other Restricted Subsidiaries, to its other equity holders on a pro rata basis), (ii) purchase, redeem, retire or otherwise acquire for value any Capital Stock of WESCO International, WESCO Distribution or any Restricted Subsidiary held by Persons other than WESCO Distribution or another Restricted Subsidiary, (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment any Subordinated Obligations (other than the purchase, repurchase or other acquisition of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of acquisition) or (iv) make any Investment (other than a Permitted Investment) in any Person (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment being herein referred to as a Restricted Payment ) if at the time WESCO Distribution or such Restricted Subsidiary makes such Restricted Payment: (1) a Default will have occurred and be continuing (or would result therefrom); (2) WESCO Distribution could not Incur at least \$1.00 of additional Indebtedness under paragraph (a) of the covenant described under Limitation on Indebtedness ; or (3) the aggregate amount of such Restricted Payment and all other Restricted Payments (the amount so expended, if other than in cash, to be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of the Board of Directors) declared or made subsequent to June 5, 1998 would exceed the sum of: (A) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter beginning June 5, 1998 to the end of the most recent fiscal quarter for which internal financial statements are available prior to the date of such Restricted Payment (or, in case such Consolidated Net Income will be a deficit, minus 100% of such deficit); (B) the aggregate Net Cash Proceeds or fair market value of assets or property received by WESCO Distribution as a contribution to its equity capital or as an inter-company advance from WESCO International or its Subsidiaries or from the issue or sale of its Capital Stock (in each case other than Disqualified Stock and Excluded Contributions) subsequent to June 5, 1998 (other than an issuance or sale to (x) a Subsidiary of WESCO Distribution or (y) an employee stock ownership plan or other trust established by WESCO Distribution or any of its Subsidiaries); (C) the amount by which Indebtedness or Disqualified Stock of WESCO

**Table of Contents**

Distribution or its Restricted Subsidiaries is reduced on WESCO Distribution's balance sheet upon the conversion or exchange (other than by a Subsidiary of WESCO Distribution) subsequent to June 5, 1998 of any Indebtedness or Disqualified Stock of WESCO Distribution or its Restricted Subsidiaries issued after June 5, 1998 for Capital Stock (other than Disqualified Stock) of WESCO Distribution (less the amount of any cash or the fair market value of other property distributed by WESCO Distribution or any Restricted Subsidiary upon such conversion or exchange); (D) the amount equal to the net reduction in Investments in any Person (other than a Restricted Subsidiary) since June 5, 1998 resulting from (i) payments of dividends, repayments of the principal of loans or advances or other transfers of assets to WESCO Distribution or any Restricted Subsidiary from such Person, (ii) the sale or liquidation for cash of such Investment or (iii) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of Investment) not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by WESCO Distribution or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount was included in the calculation of the amount of Restricted Payments; (E) the amount of any dividends or distributions paid to WESCO International equal to amounts required for WESCO International to pay interest/and or principal, or accreted value payments on, or to make any mandatory redemptions or repurchases in respect of the Senior Discount Notes; and (F) less the amount equal to the sum of (x) the amount of Net Cash Proceeds from the initial Equity Offering by WESCO International, consummated on or about May 17, 1999, received by WESCO Distribution in connection with such Equity Offering, plus (y) the amount of net proceeds from the concurrent offering of the Debentures contributed to WESCO Distribution as equity capital.

As of June 30, 2006, the amount that would have been available to the Company for Restricted Payments pursuant to clause (3) of this paragraph (a) above is approximately \$321 million.

(b) The provisions of the foregoing paragraph (a) will not prohibit: (i) any Restricted Payment made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of WESCO Distribution (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of WESCO Distribution or an employee stock ownership plan or other trust established by WESCO Distribution or any of its Subsidiaries); provided, however, that (A) such Restricted Payment will be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale applied in the manner set forth in this clause (i) will be excluded from the calculation of amounts under clause (3)(B) of paragraph (a) above; (ii) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of WESCO Distribution made by exchange for, or out of the proceeds of the substantially concurrent sale of, Indebtedness of WESCO Distribution that is permitted to be Incurred pursuant to paragraph (b) of the covenant described under Limitation on Indebtedness; provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value will be excluded in the calculation of the amount of Restricted Payments; (iii) any purchase or redemption of Subordinated Obligations from Net Available Cash to the extent permitted by the covenant described under Limitation on Sales of Assets and Subsidiary Stock; provided, however, that such purchase or redemption will be excluded in the calculation of the amount of Restricted Payments; (iv) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this covenant; provided, however, that such dividend will be included in the calculation of the amount of Restricted Payments; (v) any Restricted Payment made for the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of WESCO International, WESCO Distribution or any of their respective Subsidiaries held by any employee, former employee, director or former director of WESCO International, WESCO Distribution or any of their respective Subsidiaries (and any permitted transferees thereof) pursuant to any equity subscription agreement, stock option agreement or plan or other similar agreement; provided, however, that the aggregate amount of





**Table of Contents**

such Restricted Payments shall not exceed \$5.0 million in any calendar year and \$20.0 million in the aggregate, in each case since the Closing Date; provided further, however, that such Restricted Payments shall be included in the calculation of the amount of Restricted Payments; (vi) payment of dividends, other distributions or other amounts by WESCO Distribution for the purposes set forth in clauses (A) through (D) below; provided, however, that such dividend, distribution or amount shall be excluded in the calculation of the amount of Restricted Payments: (A) to WESCO International in amounts equal to the amounts required for WESCO International to pay franchise taxes and other fees required to maintain its corporate existence and provide for other operating costs of up to \$5.0 million per calendar year; (B) to WESCO International in amounts equal to amounts required for WESCO International to pay federal, state and local income taxes that are then actually due and owing by WESCO International to the extent such items relate to WESCO Distribution and its Subsidiaries; (C) to WESCO International to permit WESCO International to pay any employment, noncompetition, compensation or confidentiality arrangements entered into with its employees in the ordinary course of business to the extent such employees are primarily engaged in activities which relate to WESCO Distribution and its Subsidiaries; and (D) to WESCO International to permit WESCO International to pay customary fees and indemnities to directors and officers of WESCO International to the extent such directors and officers are primarily engaged in activities which relate to WESCO Distribution and its Subsidiaries; (vii) any repurchase of Capital Stock deemed to occur upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such option; provided, however, that such repurchase shall be included in the calculation of the amount of Restricted Payments; (viii) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of WESCO Distribution issued in accordance with the covenant described under Limitation on Indebtedness to the extent such dividends are included in the definition of Consolidated Interest Expense; provided, however, that such dividends shall be included in the calculation of the amount of Restricted Payments; (ix) Investments made with Excluded Contributions; provided, however, that such Investments shall be excluded in the calculation of the amount of Restricted Payments; (x) dividends or distributions paid to WESCO International in amounts equal to amounts required for WESCO International to pay interest/and or principal, or to make any mandatory redemptions or repurchases in respect of, the Debentures; provided, however, that such dividends or distributions shall be excluded in the calculation of the amount of Restricted Payments; or (xi) other Restricted Payments in an aggregate amount not to exceed \$30.0 million since June 5, 1998; provided, however, that such payments shall be included in the calculation of the amount of Restricted Payments.

***Limitation on Restrictions on Distributions from Restricted Subsidiaries.***

WESCO Distribution will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to WESCO Distribution, (ii) make any loans or advances to WESCO Distribution or (iii) transfer any of its property or assets to WESCO Distribution, except: (1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Closing Date; (2) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Indebtedness Incurred by such Restricted Subsidiary on or prior to the date on which such Restricted Subsidiary was acquired by WESCO Distribution (other than Indebtedness Incurred as consideration in, in contemplation of, or to provide all or any portion of the funds or credit support utilized to consummate the transaction or series of related transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was otherwise acquired by WESCO Distribution) and outstanding on such date; (3) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (1) or (2) of this covenant or this clause (3) or contained in

**Table of Contents**

any amendment to an agreement referred to in clause (1) or (2) of this covenant or this clause (3); provided, however, that the encumbrances and restrictions contained in any such Refinancing agreement or amendment are no less favorable to the Noteholders than the encumbrances and restrictions contained in such predecessor agreements; (4) in the case of clause (iii), any encumbrance or restriction (A) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, (B) contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages or (C) in connection with purchase money obligations for property acquired in the ordinary course of business; (5) with respect to a Restricted Subsidiary, any restriction imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition; (6) any encumbrance or restriction of a Receivables Entity effected in connection with a Qualified Receivables Transaction; provided, however, that such restrictions apply only to such Receivables Entity; and (7) any encumbrance or restriction existing pursuant to other Indebtedness permitted to be Incurred subsequent to the Closing Date pursuant to the provisions of the covenant described under Limitations on Indebtedness ; provided, however, that any such encumbrance or restrictions are ordinary and customary with respect to the type of Indebtedness being Incurred (under the relevant circumstances).

***Limitation on Sales of Assets and Subsidiary Stock.***

(a) WESCO Distribution will not, and will not permit any Restricted Subsidiary to, make any Asset Disposition unless (i) WESCO Distribution or such Restricted Subsidiary receives consideration (including by way of relief from, or by any other Person assuming sole responsibility for, any liabilities, contingent or otherwise) at the time of such Asset Disposition at least equal to the fair market value (as determined in good faith by WESCO Distribution) of the shares and assets subject to such Asset Disposition, (ii) at least 75% of the consideration thereof received by WESCO Distribution or such Restricted Subsidiary is in the form of cash or cash equivalents (provided that the amount of (w) any liabilities (as shown on WESCO Distribution's or such Restricted Subsidiary's most recent balance sheet or in the notes thereto) of WESCO Distribution or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets without recourse to WESCO Distribution or any of the Restricted Subsidiaries, (x) any notes or other obligations received by WESCO Distribution or such Restricted Subsidiary from such transferee that are converted by WESCO Distribution or such Restricted Subsidiary into cash (to the extent of the cash received) within 180 days following the closing of such Asset Disposition, (y) any Designated Noncash Consideration received by WESCO Distribution or any of its Restricted Subsidiaries in such Asset Disposition having an aggregate fair market value, taken together with all other Designated Noncash Consideration received pursuant to this clause (y) not to exceed 5% of Adjusted Consolidated Assets at the time of the receipt of such Designated Noncash Consideration (with the fair market value of each item of Designated Noncash Consideration being measured at the time received and without giving effect to subsequent changes in value) and (z) any assets received in exchange for assets related to a Related Business of comparable market value in the good faith determination of the Board of Directors shall be deemed to be cash for purposes of this provision) and (iii) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by WESCO Distribution (or such Restricted Subsidiary, as the case may be) (A) first, to the extent WESCO Distribution elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of WESCO Distribution or Indebtedness (other than any Disqualified Stock and other than any Preferred Stock) of a Wholly Owned Subsidiary (in each case other than Indebtedness owed to WESCO Distribution or an Affiliate of WESCO Distribution) within 365 days after the later of the date of

**Table of Contents**

such Asset Disposition or the receipt of such Net Available Cash; (B) second, to the extent of the balance of Net Available Cash after application in accordance with clause (A), to the extent WESCO Distribution or such Restricted Subsidiary elects, to reinvest in Additional Assets (including by means of an Investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by WESCO Distribution or another Restricted Subsidiary) within 365 days from the later of such Asset Disposition or the receipt of such Net Available Cash; and (C) third, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B), to make an Offer (as defined below) to purchase notes pursuant to and subject to the conditions set forth in section (b) of this covenant; provided, however, that if WESCO Distribution elects (or is required by the terms of any other Senior Subordinated Indebtedness), such Offer may be made ratably to purchase the notes and other Senior Subordinated Indebtedness of WESCO Distribution; provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (C) above, WESCO Distribution or such Restricted Subsidiary will retire such Indebtedness and will cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased. Notwithstanding the foregoing provisions of this covenant, WESCO Distribution and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this covenant except to the extent that the aggregate Net Available Cash from all Asset Dispositions that is not applied in accordance with this covenant exceeds \$20.0 million.

(b) In the event of an Asset Disposition that requires the purchase of notes (and other Senior Subordinated Indebtedness) pursuant to clause (a)(iii)(C) of this covenant, WESCO Distribution will be required to purchase notes (and other Senior Subordinated Indebtedness) tendered pursuant to an offer by WESCO Distribution for the notes (and other Senior Subordinated Indebtedness) (the Offer) at a purchase price of 100% of their principal amount plus accrued and unpaid interest and additional interest, if any, to the date of purchase in accordance with the procedures (including prorating in the event of oversubscription), set forth in the Indenture. If the aggregate purchase price of notes (and other Senior Subordinated Indebtedness) tendered pursuant to the Offer is less than the Net Available Cash allotted to the purchase of the notes (and other Senior Subordinated Indebtedness), WESCO Distribution may apply the remaining Net Available Cash for any purpose permitted by the terms of the Indenture. WESCO Distribution will not be required to make an Offer for notes (and other Senior Subordinated Indebtedness) pursuant to this covenant if the Net Available Cash available therefor (after application of the proceeds as provided in clauses (A) and (B) of paragraph (a)(iii) of this covenant is less than \$10.0 million for any particular Asset Disposition (which lesser amount will be carried forward for purposes of determining whether an Offer is required with respect to the Net Available Cash from any subsequent Asset Disposition).

(c) WESCO Distribution will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, WESCO Distribution will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue thereof.

***Limitations on Transactions with Affiliates.***

(a) WESCO Distribution will not, and will not cause or permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an Affiliate Transaction) involving aggregate consideration in excess of \$5.0 million, unless (i) such Affiliate Transaction is on terms that are

**Table of Contents**

not materially less favorable to WESCO Distribution or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by WESCO Distribution or such Restricted Subsidiary with an unrelated Person and (ii) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$10.0 million, WESCO Distribution delivers to the Trustee a resolution adopted by the majority of the Board of Directors, approving such Affiliate Transaction and set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above.

(b) The provisions of the foregoing paragraph (a) will not prohibit (i) any Restricted Payment permitted to be paid pursuant to the covenant described under Limitation on Restricted Payments, (ii) any issuance of securities, or other payments, Guarantees, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors, (iii) the grant of stock options or similar rights to employees and directors of WESCO Distribution pursuant to plans approved by the Board of Directors, (iv) loans or advances to employees in the ordinary course of business in accordance with past practices of WESCO Distribution, but in any event not to exceed \$5.0 million in the aggregate outstanding at any one time, (v) the payment of reasonable fees to directors of WESCO Distribution and its Restricted Subsidiaries who are not employees of WESCO Distribution or its Subsidiaries, (vi) any transaction between WESCO Distribution and a Restricted Subsidiary or between Restricted Subsidiaries, (vii) any transaction effected as part of a Qualified Receivables Transaction, (viii) any payment by WESCO Distribution to WESCO International to permit WESCO International to pay any federal, state, local or other taxes that are then actually due and owing by WESCO International, (ix) indemnification agreements with, and the payment of fees and indemnities to, directors, officers and employees of WESCO Distribution and its Restricted Subsidiaries, in each case, in the ordinary course of business, (x) any employment, compensation, noncompetition or confidentiality agreement entered into by WESCO Distribution and its Restricted Subsidiaries with its employees in the ordinary course of business, (xi) any issuance of Capital Stock of WESCO Distribution (other than Disqualified Stock), (xii) any agreement as in effect as of the Closing Date or any amendment or replacement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Noteholders of the notes in any material respect than the original agreement as in effect on the Closing Date and (xiii) transactions in which WESCO Distribution or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to WESCO Distribution or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph.

***Limitation on the Sale or Issuance of Capital Stock of Restricted Subsidiaries.***

WESCO Distribution will not sell or otherwise dispose of any shares of Capital Stock of a Restricted Subsidiary, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell or otherwise dispose of any shares of its Capital Stock except: (i) to WESCO Distribution or a Wholly Owned Subsidiary or to any director of a Restricted Subsidiary to the extent required as director's qualifying shares; (ii) if, immediately after giving effect to such issuance, sale or other disposition, neither WESCO Distribution nor any of its Subsidiaries own any Capital Stock of such Restricted Subsidiary or (iii) if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any Investment in such Person remaining after giving effect thereto would have been permitted to be made under the covenant described under Limitation on Restricted Payments if made on the date of such issuance, sale or other disposition. The provisions of this covenant will not prohibit any transaction effected as part of a Qualified Receivables Transaction. The proceeds of any sale of such Capital Stock permitted hereby will be treated as Net Available Cash from an Asset Disposition and must be applied in accordance with the terms of the covenant described under Limitation on Sales of Assets and Subsidiary Stock.

**Table of Contents**

***Limitation on Liens.***

WESCO Distribution will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien of any nature whatsoever that secures Senior Subordinated Indebtedness or Subordinated Obligations on any of its property or assets (including capital Stock of a Restricted Subsidiary), whether owned at the Closing Date or thereafter acquired, other than Permitted Liens, without effectively providing that the notes shall be secured equally and ratably with (or on a senior basis to in the case of Subordinated Obligations) the obligations so secured for so long as such obligations are so secured.

***SEC Reports.***

WESCO International shall continue to file with the SEC and provide the Trustee and any Noteholder or prospective Noteholder (upon the request of such Noteholder or prospective Noteholder) with such annual reports and such information, documents and other reports as are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation subject to such Sections, such information, documents and other reports to be so filed and provided at the times specified for the filing of such information, documents and reports under such Sections. In the event that WESCO International is no longer permitted to file with the SEC, WESCO International shall continue to provide the Trustee and any Noteholder or prospective Noteholder (upon the request of such Noteholder or prospective Noteholder) with such annual reports and such information, documents and other reports.

***Merger and Consolidation***

WESCO Distribution will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless: (i) the resulting, surviving or transferee Person (the Successor Company ) will be a corporation, partnership, trust or limited liability company organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and the Successor Company (if not WESCO Distribution) will expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of WESCO Distribution under the notes and the Indenture; (ii) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Restricted Subsidiary as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), no Default will have occurred and be continuing; (iii) immediately after giving effect to such transaction, (A) the Successor Company would be able to Incur an additional \$1.00 of Indebtedness under paragraph (a) of the covenant described under Certain Covenants Limitation on Indebtedness or (B) the Consolidated Coverage Ratio for the Successor Company and its Restricted Subsidiaries would be greater than such ratio for WESCO Distribution and its Restricted Subsidiaries immediately prior to such transaction; (iv) immediately after giving effect to such transaction, the Successor Company will have Consolidated Net Worth in an amount which is not less than the Consolidated Net Worth of WESCO Distribution immediately prior to such transaction; and (v) WESCO Distribution will have delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture. Notwithstanding clause (iii) above, a Wholly Owned Subsidiary may be consolidated with or merged into WESCO Distribution and WESCO Distribution may consolidate with or merge with or into (A) another Person, if such Person is a single purpose corporation that has not conducted any business or incurred any Indebtedness or other liabilities and such transaction is being consummated solely to change the state of incorporation of WESCO Distribution and (B) WESCO International; provided, however, that, in the case of clause (B), (x) WESCO International shall not have owned any assets other than the Capital Stock of WESCO Distribution (and other immaterial assets incidental to its

**Table of Contents**

ownership of such Capital Stock) or conducted any business other than owning the Capital Stock of WESCO Distribution, (y) WESCO International shall not have any Indebtedness or other liabilities (other than Indebtedness that has been Guaranteed by, or is otherwise considered Indebtedness of, WESCO Distribution and ordinary course liabilities incidental to its ownership of the Capital Stock of WESCO Distribution) and (z) immediately after giving effect to such consolidation or merger, the Successor Company shall have a pro forma Consolidated Coverage Ratio that is not less than the Consolidated Coverage Ratio of WESCO Distribution immediately prior to such consolidation or merger.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, WESCO Distribution under the Indenture, but the predecessor Company in the case of a conveyance, transfer or lease of all or substantially all its assets will not be released from the obligation to pay the principal of and interest on the notes.

**Defaults**

An Event of Default is defined in the Indenture as (i) a default in any payment of interest on any note when due and payable, whether or not prohibited by the provisions described under Ranking , continued for 30 days, (ii) a default in the payment of principal of any note when due and payable at its Stated Maturity, upon required redemption or repurchase, upon declaration or otherwise, whether or not such payment is prohibited by the provisions described under Ranking , (iii) the failure by WESCO Distribution to comply with its obligations under the covenant described under Merger and Consolidation , (iv) the failure by WESCO Distribution to comply for 30 days after notice with any of its obligations under the covenants described under Change of Control or Certain Covenants (in each case, other than a failure to purchase the notes), (v) the failure by WESCO Distribution to comply for 60 days after notice with any other agreements contained in the notes or the Indenture, (vi) the failure by WESCO Distribution or any Significant Subsidiary to pay any Indebtedness within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default if the total amount of such Indebtedness unpaid or accelerated exceeds \$35 million or its foreign currency equivalent (the cross acceleration provision ) and such failure continues for 10 days after receipt of the notice specified in the Indenture, (vii) certain events of bankruptcy, insolvency or reorganization of WESCO Distribution or a Significant Subsidiary (the bankruptcy provisions ) or (viii) the rendering of any judgment or decree for the payment of money in excess of \$35 million or its foreign currency equivalent against WESCO Distribution or a Significant Subsidiary if (A) an enforcement proceeding thereon is commenced by any creditor or (B) such judgment or decree remains outstanding for a period of 60 days following such judgment and is not discharged, waived or stayed within 10 days after notice (the judgment default provision ).

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clauses (iv), (v), (vi) or (viii) will not constitute an Event of Default until the Trustee or the Noteholders of at least 25% in principal amount of the outstanding notes notify WESCO Distribution of the default and WESCO Distribution does not cure such default within the time specified in clauses (iv), (v), (vi) or (viii) hereof after receipt of such notice.

If an Event of Default (other than an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of WESCO Distribution) occurs and is continuing, the Trustee or the Noteholders of at least 25% in principal amount of the outstanding notes by notice to WESCO Distribution may declare the principal of and accrued but unpaid interest on all the

**Table of Contents**

notes to be due and payable. Upon such a declaration, such principal and interest will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of WESCO Distribution occurs, the principal of and interest on all the notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any Noteholders. Under certain circumstances, the Noteholders of a majority in principal amount of the outstanding notes may rescind any such acceleration with respect to the notes and its consequences.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Noteholders unless such Noteholders have offered to the Trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium (if any) or interest when due, no Noteholder may pursue any remedy with respect to the Indenture or the notes unless (i) such Noteholder has previously given the Trustee notice that an Event of Default is continuing, (ii) Noteholders of at least 25% in principal amount of the outstanding notes have requested the Trustee in writing to pursue the remedy, (iii) such Noteholders have offered the Trustee reasonable security or indemnity against any loss, liability or expense, (iv) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity and (v) the Noteholders of a majority in principal amount of the outstanding notes have not given the Trustee a direction inconsistent with such request within such 60-day period. Subject to certain restrictions, the Noteholders of a majority in principal amount of the outstanding notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Noteholder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

The Indenture provides that if a Default occurs and is continuing and is known to the Trustee, the Trustee must mail to each Noteholder notice of the Default within the earlier of 90 days after it occurs or 30 days after it is known to a Trust Officer or written notice of it is received by the Trustee. Except in the case of a Default in the payment of principal of, premium (if any) or interest on any note (including payments pursuant to the redemption provisions of such note), the Trustee may withhold notice if and so long as a committee of its Trust Officers in good faith determines that withholding notice is in the interests of the Noteholders. In addition, WESCO Distribution is required to deliver to the Trustee, within 120 days after the end of each fiscal year of WESCO Distribution, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. WESCO Distribution also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any event which would constitute certain Events of Default, their status and what action WESCO Distribution is taking or proposes to take in respect thereof.

**Amendments and Waivers**

Subject to certain exceptions, the Indenture or the notes may be amended with the written consent of the Noteholders of at least a majority in principal amount of the notes then outstanding and any past default or compliance with any provisions may be waived with the consent of the Noteholders of a majority in principal amount of the notes then outstanding. However, without the consent of each Noteholder of an outstanding note affected, no amendment may, among other things, (i) reduce the principal amount of notes whose Noteholders must consent to an amendment, (ii) reduce the rate of or extend the time for



**Table of Contents**

payment of interest or any additional interest on any note, (iii) reduce the principal of or extend the Stated Maturity of any note, (iv) reduce the premium payable upon the redemption of any note or change the time at which any note may be redeemed as described under Optional Redemption , (v) make any note payable in money other than that stated in the note, (vi) make any change to the subordination provisions of the Indenture that adversely affects the rights of any Noteholder, (vii) impair the right of a Noteholder to institute suit for payment of any notes or (viii) make any change in the amendment provisions which require each Noteholder s consent or in the waiver provisions.

Without the consent of any Noteholder, WESCO Distribution, WESCO International and the Trustee may amend the Indenture to cure any ambiguity, omission, defect or inconsistency, to provide for the assumption by a successor corporation of the obligations of WESCO Distribution under the Indenture, to provide for uncertificated notes in addition to or in place of certificated notes (provided that the uncertificated notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated notes are described in Section 163(f)(2)(B) of the Code), to make any change in the subordination provisions of the Indenture that would limit or terminate the benefits available to any holder of Senior Indebtedness of WESCO Distribution (or any representative thereof) under such subordination provisions, to add additional Guarantees with respect to the notes, to secure the notes, to add to the covenants of WESCO Distribution for the benefit of the Noteholders or to surrender any right or power conferred upon WESCO Distribution, to make any change that does not adversely affect the rights of any Noteholder, subject to the provisions of the Indenture, to provide for the issuance of the notes or Additional Notes, to provide for a successor trustee, make any changes or modifications necessary in connection with the registration of the notes as contemplated in the exchange and registration rights agreement; provided that such change or modification does not adversely affect the interests of the holders of the notes in any material respect or to comply with any requirement of the SEC in connection with the qualification of the Indenture under the TIA. However, no amendment may be made to the subordination provisions of the Indenture that adversely affects the rights of any holder of Senior Indebtedness of WESCO Distribution then outstanding unless the holders of such Senior Indebtedness (or any group or representative thereof authorized to give a consent) consent to such change.

The consent of the Noteholders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, WESCO Distribution is required to mail to Noteholders a notice briefly describing such amendment. However, the failure to give such notice to all Noteholders, or any defect therein, will not impair or affect the validity of the amendment.

**Transfer and Exchange**

A Noteholder may transfer or exchange notes in accordance with the Indenture. Upon any transfer or exchange, the Registrar and the Trustee may require a Noteholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes required by law or permitted by the Indenture. The Registrar is not required to register the transfer of or exchange any note selected for redemption (except, in the case of a note to be redeemed in part, the portion of the note not to be redeemed) or to transfer or exchange any note for a period of 15 days prior to a selection of notes to be redeemed or 15 days before an interest payment date. The notes will be issued in registered form and the registered holder of a note will be treated as the owner of such note for all purposes.

**Table of Contents**

**Defeasance**

WESCO Distribution at any time may terminate all its obligations under the notes and the Indenture ( legal defeasance ), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain a registrar and paying agent in respect of the notes. WESCO Distribution at any time may terminate its obligations under the covenants described under Certain Covenants , the operation of the cross acceleration provision, the bankruptcy provisions with respect to Significant Subsidiaries and the judgment default provision described under Defaults and the limitations contained in clauses (iii) and (iv) under the first paragraph of Merger and Consolidation ( covenant defeasance ). In the event that WESCO Distribution exercises its legal defeasance option or its covenant defeasance option, WESCO International will be released from all of its obligations with respect to its WESCO International Guarantee.

WESCO Distribution may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If WESCO Distribution exercises its legal defeasance option, payment of the notes may not be accelerated because of an Event of Default with respect thereto. If WESCO Distribution exercises its covenant defeasance option, payment of the notes may not be accelerated because of an Event of Default specified under Defaults in clause (iv), (vi), (vii) (with respect only to Significant Subsidiaries) or (viii) (with respect only to Significant Subsidiaries) or because of the failure of WESCO Distribution to comply with clause (iii) or (iv) under the first paragraph of Merger and Consolidation.

In order to exercise either defeasance option, WESCO Distribution must irrevocably deposit in trust with the Trustee money or U.S. Government Obligations for the payment of principal, premium (if any) and interest on the notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel to the effect that holders of the notes will not recognize income, gain or loss for Federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and, in the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable Federal income tax law).

**Concerning the Notes Trustee**

J.P. Morgan Trust Company, National Association is the Trustee under the Indenture and has been appointed by WESCO Distribution as Registrar and Paying Agent with regard to the notes.

**Governing Law**

The Indenture provides that it and the notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

**Certain Definitions**

*Additional Assets* means (i) any property or assets (other than Indebtedness and Capital Stock) to be used by WESCO Distribution or a Restricted Subsidiary in a Related Business; (ii) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by WESCO Distribution or another Restricted Subsidiary; or (iii) Capital Stock constituting a minority interest in any Person that at such time is a Restricted

**Table of Contents**

Subsidiary; provided, however, that any such Restricted Subsidiary described in clauses (ii) or (iii) above is primarily engaged in a Related Business.

*Adjusted Consolidated Assets* means at any time the total amount of assets of WESCO Distribution and its Restricted Subsidiaries (less applicable depreciation, amortization and other valuation reserves), after deducting therefrom all current liabilities of WESCO Distribution and its Restricted Subsidiaries (excluding intercompany items), all as set forth on the Consolidated balance sheet of WESCO Distribution and its Restricted Subsidiaries as of the end of the most recent fiscal quarter for which financial statements are available prior to the date of determination.

*Affiliate* of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *control* when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms *controlling* and *controlled* have meanings correlative to the foregoing.

*Asset Disposition* means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by WESCO Distribution or any Restricted Subsidiary, including any disposition by means of a merger, consolidation, or similar transaction (each referred to for the purposes of this definition as a disposition), of (i) any shares of Capital Stock of a Restricted Subsidiary (other than directors qualifying shares or shares required by applicable law to be held by a Person other than WESCO Distribution or a Restricted Subsidiary), (ii) all or substantially all the assets of any division or line of business of WESCO Distribution or any Restricted Subsidiary or (iii) any other assets of WESCO Distribution or any Restricted Subsidiary outside the ordinary course of business of WESCO Distribution or such Restricted Subsidiary (other than, in the case of (i), (ii) and (iii) above, (A) a disposition by a Restricted Subsidiary to WESCO Distribution or by WESCO Distribution or a Restricted Subsidiary to a Wholly Owned Subsidiary, (B) for purposes of the provisions described under Certain Covenants Limitation on Sales of Assets and Subsidiary Stock only, a disposition subject to the covenant described under Certain Covenants Limitation on Restricted Payments, (C) a disposition of assets with a fair market value of less than \$5,000,000, (D) a sale of accounts receivables and related assets of the type specified in the definition of Qualified Receivables Transaction to a Receivables Entity in a Qualified Receivables Transaction, (E) a transfer of accounts receivables and related assets of the type specified in the definition of Qualified Receivables Transaction (or a fractional undivided interest therein) by a Receivables Entity in a Qualified Receivables Transaction, (F) the disposition of all or substantially all of the assets of WESCO Distribution in a manner permitted pursuant to the provisions described above under Merger and Consolidation or any disposition that constitutes a Change of Control pursuant to the Indenture, (G) any exchange of like property pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended, for use in a Related Business, and (H) any sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary).

*Attributable Debt* in respect of a Sale/ Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate borne by the notes, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/ Leaseback Transaction (including any period for which such lease has been extended).

*Average Life* means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (i) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal

**Table of Contents**

payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (ii) the sum of all such payments.

*Bank Indebtedness* means any and all amounts payable under or in respect of the Credit Agreement and any Refinancing Indebtedness with respect thereto, as amended, restated, modified, supplemented, waived, refinanced, replaced, renewed, extended or otherwise modified from time to time, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to WESCO Distribution whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, Guarantees and all other amounts payable thereunder or in respect thereof.

*Board of Directors* means the Board of Directors of WESCO Distribution or any committee thereof duly authorized to act on behalf of such Board.

*Borrowing Base* means, as of the date of determination, an amount equal to the sum, without duplication, of (1) 60% of an amount equal to (A) the net book value of WESCO Distribution s and its Restricted Subsidiaries Canadian and U.S. accounts receivables less (B) any Qualified Receivables Transaction commitment; provided, however, that at such time as all Qualified Receivables Transactions have been terminated, then 85% of the net book value of WESCO Distribution s and its Restricted Subsidiaries Canadian and U.S. accounts receivables, plus (2) 50% of the net book value of WESCO Distribution s and its Restricted Subsidiaries inventories. Net book value shall be determined in accordance with GAAP and shall be that reflected on the most recent available balance sheet (it being understood that the accounts receivable and inventories of an acquired business may be included if such acquisition has been completed on or prior to the date of determination).

*Business Day* means each day which is not a Legal Holiday.

*Capital Stock* of any Person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

*Capitalized Lease Obligations* means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation shall be the capitalized amount of such obligation determined in accordance with GAAP; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

*Closing Date* means the date of the Indenture.

*Code* means the Internal Revenue Code of 1986, as amended.

*Consolidated Coverage Ratio* as of any date of determination means the ratio of (i) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters for which internal financial statements are available prior to the date of such determination to (ii) Consolidated Interest Expense for such four fiscal quarters; provided, however, that (A) if WESCO Distribution or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period and the discharge of any other Indebtedness repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Indebtedness as if such discharge had occurred on the first day of such period (except that, in making such

**Table of Contents**

computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be computed based on (1) the average daily balance of such Indebtedness (and any Indebtedness under a revolving credit facility replaced by such Indebtedness) during such four fiscal quarters or such shorter period when such facility and any replaced facility was outstanding or (2) if such facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness (and any Indebtedness under a revolving credit facility replaced by such Indebtedness) during the period from the date of creation of such facility to the date of the calculation), (B) if WESCO Distribution or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if WESCO Distribution or such Restricted Subsidiary has not earned the interest income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness, (C) if since the beginning of such period WESCO Distribution or any Restricted Subsidiary shall have made any Asset Disposition, the EBITDA for such period shall be reduced by an amount equal to the EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Disposition for such period or increased by an amount equal to the EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of WESCO Distribution or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to WESCO Distribution and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent WESCO Distribution and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale), (D) if since the beginning of such period WESCO Distribution or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period and (E) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into WESCO Distribution or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (C) or (D) above if made by WESCO Distribution or a Restricted Subsidiary during such period, EBITDA and Consolidated Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition of assets occurred on the first day of such period. For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of WESCO Distribution, and such pro forma calculations shall include (A) (x) the savings in cost of goods sold that would have resulted from using WESCO Distribution's actual costs for comparable goods and services during the comparable period and (y) other savings in cost of goods sold or eliminations of selling, general and administrative expenses as determined by a responsible financial or accounting



**Table of Contents**

officer of WESCO Distribution in good faith in connection with WESCO Distribution's consideration of such acquisition and consistent with WESCO Distribution's experience in acquisitions of similar assets, less (B) the incremental expenses that would be included in cost of goods sold and selling, general and administrative expenses that would have been incurred by WESCO Distribution in the operation of such acquired assets during such period. If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term as at the date of determination in excess of 12 months).

*Consolidated Interest Expense* means, for any period, the total interest expense (net of interest income) of WESCO Distribution and its Consolidated Restricted Subsidiaries, plus, to the extent Incurred by WESCO Distribution and its Restricted Subsidiaries in such period but not included in such interest expense, (i) interest expense attributable to Capitalized Lease Obligations and the interest expense attributable to leases constituting part of a Sale/ Leaseback Transaction, (ii) amortization of debt discount, (iii) capitalized interest, (iv) non-cash interest expense, (v) commissions, discounts and other fees and charges attributable to letters of credit and bankers' acceptance financing, (vi) interest accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by WESCO Distribution or any Restricted Subsidiary, (vii) net costs associated with Hedging Obligations (including amortization of fees), (viii) dividends in respect of all Preferred Stock of WESCO Distribution and any of the Restricted Subsidiaries of WESCO Distribution (other than pay in kind dividends and accretions to liquidation value) to the extent held by Persons other than WESCO Distribution or a Wholly Owned Subsidiary, (ix) interest Incurred in connection with investments in discontinued operations and (x) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than WESCO Distribution) in connection with Indebtedness Incurred by such plan or trust, less, to the extent included in such total interest expense, the amortization during such period of capitalized financing costs. Notwithstanding anything to the contrary contained herein, interest expense, commissions, discounts, yield and other fees and charges Incurred in connection with any Qualified Receivables Transaction pursuant to which WESCO Distribution or any Subsidiary may sell, convey or otherwise transfer or grant a security interest in any accounts receivable or related assets of the type specified in the definition of *Qualified Receivables Transaction* shall not be included in Consolidated Interest Expense; provided that any interest expense, commissions, discounts, yield and other fees and charges Incurred in connection with any receivables financing or securitization that does not constitute a Qualified Receivables Transaction shall be included in Consolidated Interest Expense.

*Consolidated Net Income* means, for any period, the net income of WESCO Distribution and its Consolidated Subsidiaries for such period; provided, however, that there shall not be included in such Consolidated Net Income: (i) any net income of any Person (other than WESCO Distribution) if such Person is not a Restricted Subsidiary, except that (A) subject to the limitations contained in clause (iv) below, WESCO Distribution's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to WESCO Distribution or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution made to a Restricted Subsidiary, to the limitations contained in clause (iii) below) and (B) WESCO Distribution's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income; (ii) any net income (or loss) of any person acquired by WESCO Distribution or a Subsidiary in a pooling of interests transaction for any period prior to the date of such acquisition; (iii) any net income (or loss) of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted





**Table of Contents**

Subsidiary, directly or indirectly, to WESCO Distribution, except that (A) subject to the limitations contained in clause (iv) below, WESCO Distribution's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash which could have been distributed by such Restricted Subsidiary during such period to WESCO Distribution or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution made to another Restricted Subsidiary, to the limitation contained in this clause) and (B) WESCO Distribution's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income; (iv) any gain (or loss) realized upon the sale or other disposition of any asset of WESCO Distribution or its Consolidated Subsidiaries (including pursuant to any Sale/ Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Person; (v) any extraordinary gain or loss; (vi) the cumulative effect of a change in accounting principles; and (vii) any expenses or charges paid to third parties related to any Equity Offering, Permitted Investment, acquisition, recapitalization or Indebtedness permitted to be Incurred by the Indenture (whether or not successful). Notwithstanding the foregoing, for the purpose of the covenant described under Certain Covenants Limitation on Restricted Payments only, there shall be excluded from Consolidated Net Income any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries to WESCO Distribution or a Restricted Subsidiary to the extent such dividends, repayments or transfers increase the amount of Restricted Payments permitted under such covenant pursuant to clause (a)(3)(D) thereof.

*Consolidated Net Worth* means the total of the amounts shown on the balance sheet of WESCO Distribution and its Restricted Subsidiaries, determined on a Consolidated basis, as of the end of the most recent fiscal quarter of WESCO Distribution for which internal financial statements are available, as (i) the par or stated value of all outstanding Capital Stock of WESCO Distribution plus (ii) paid-in capital or capital surplus relating to such Capital Stock plus (iii) any retained earnings or earned surplus less (A) any accumulated deficit and (B) any amounts attributable to Disqualified Stock.

*Consolidation* means the consolidation of the amounts of each of the Restricted Subsidiaries with those of WESCO Distribution in accordance with GAAP consistently applied; provided, however, that Consolidation will not include consolidation of the accounts of any Unrestricted Subsidiary, but the interest of WESCO Distribution or any Restricted Subsidiary in an Unrestricted Subsidiary will be accounted for as an investment. The term Consolidated has a correlative meaning.

*Credit Agreement* means the amended and restated credit agreement dated as of June 17, 2005 among WESCO Distribution, the other Credit Parties (as defined therein) party thereto, General Electric Capital Corporation, for itself as lender and as agent for lenders, the CIT Group/ Business Credit, Inc., as syndication agent and lender and the other lenders party thereto from time to time, as amended, restated, supplemented, waived, refinanced, replaced, renewed, extended or otherwise modified from time to time.

*Credit Facilities* means, with respect to WESCO Distribution, one or more debt facilities, or commercial paper facilities with banks or other institutional lenders or indentures providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against receivables), letters of credit or other long-term Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

**Table of Contents**

*Currency Agreement* means with respect to any Person any foreign exchange contract, currency swap agreement or other similar agreement or arrangement to which such Person is a party or of which it is a beneficiary.

*Debentures* means the 2.625% convertible senior debentures due 2025 issued by WESCO International under the indenture dated as of September 27, 2005 among WESCO International, WESCO Distribution, as guarantor, and J.P. Morgan Trust Company, National Association, as trustee.

*Default* means any event which is, or after notice or passage of time or both would be, an Event of Default.

*Designated Noncash Consideration* means the fair market value of noncash consideration received by WESCO Distribution or any of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Noncash Consideration pursuant to an Officers Certificate, setting forth the basis of such valuation, less the amount of cash or cash equivalents received in connection with a subsequent sale of such Designated Noncash Consideration.

*Designated Senior Indebtedness* of WESCO Distribution means (i) the Bank Indebtedness and (ii) any other Senior Indebtedness of WESCO Distribution that, at the date of determination, has an aggregate principal amount outstanding of, or under which, at the date of determination, the holders thereof are committed to lend up to at least \$25.0 million and is specifically designated by WESCO Distribution in the instrument evidencing or governing such Senior Indebtedness as *Designated Senior Indebtedness* for purposes of the Indenture. *Designated Senior Indebtedness* of WESCO International has a correlative meaning.

*Disqualified Stock* means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable or exercisable) or upon the happening of any event (i) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise, (ii) is convertible or exchangeable for Indebtedness or Disqualified Stock or (iii) is redeemable at the option of the holder thereof, in whole or in part, in each case on or prior to the 91st day following the Stated Maturity of the notes; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an asset sale or change of control occurring prior to the first anniversary of the Stated Maturity of the Securities shall not constitute Disqualified Stock if the asset sale or change of control provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions of the covenants described under Change of Control and Certain Covenants Limitation on Sale of Assets and Subsidiary Stock.

*EBITDA* for any period means the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income: (i) income tax expense of WESCO Distribution and its Consolidated Restricted Subsidiaries, (ii) Consolidated Interest Expense, (iii) depreciation expense of WESCO Distribution and its Consolidated Restricted Subsidiaries, (iv) amortization expense of WESCO Distribution and its Consolidated Restricted Subsidiaries (excluding amortization expense attributable to a prepaid cash item that was paid in a prior period), (v) all other non-cash charges of WESCO Distribution and its Consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash expenditures in any future period) in each case for such period and (vi) income attributable to discontinued operations. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and non-cash charges of, a Restricted Subsidiary of WESCO Distribution shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion) that the net income of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of

**Table of Contents**

determination to be dividended to WESCO Distribution by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

*Equity Offering* means a public offering of Capital Stock (other than Disqualified Stock) of WESCO Distribution or WESCO International.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*Excluded Contribution* means the Net Cash Proceeds received by WESCO Distribution from (a) contributions to its common equity capital and (b) the sale (other than to a Subsidiary or to any Company or Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) of Capital Stock (other than Disqualified Stock) of WESCO Distribution, in each case designated as Excluded Contributions pursuant to an Officers Certificate executed by the principal executive officer and the principal financial officer of WESCO Distribution on the date such capital contributions are made or the date such Capital Stock is sold.

*GAAP* means generally accepted accounting principles in the United States of America as in effect as of the Closing Date, including those set forth in (i) the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants, (ii) statements and pronouncements of the Financial Accounting Standards Board, (iii) such other statements by such other entity as approved by a significant segment of the accounting profession and (iv) the rules and regulations of the SEC governing the inclusion of financial statements (including pro forma financial statements) in periodic reports required to be filed pursuant to Section 13 of the Exchange Act, including opinions and pronouncements in staff accounting bulletins and similar written statements from the accounting staff of the SEC. All ratios and computations based on GAAP contained in the Indenture shall be computed in conformity with GAAP.

*Guarantee* means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term *Guarantee* shall not include endorsements for collection or deposit in the ordinary course of business. The term *Guarantee* used as a verb has a corresponding meaning. The term *Guarantor* shall mean any Person Guaranteeing any obligation.

*Hedging Obligations* of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

*Incur* means issue, assume, Guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary. The term *Incurrence* when used as a noun shall have a correlative meaning. The accretion of principal of a non-interest bearing or other discount security shall not be deemed the Incurrence of Indebtedness.

*Indebtedness* means, with respect to any Person on any date of determination (without duplication), (i) the principal of and premium (if any) in respect of indebtedness of such Person

**Table of Contents**

for borrowed money; (ii) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (iii) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto) (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (i), (ii), (iv) and (v) hereof) to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the 30th day following payment on the letter of credit so long as such letter of credit is entered into in the ordinary course of business); (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables), which purchase price is due more than six months after the date of placing such property in service or taking delivery and title thereto or the completion of such services; (v) all Capitalized Lease Obligations and all Attributable Debt of such Person; (vi) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Stock (but excluding, in each case, any accrued dividends); (vii) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of Indebtedness of such Person shall be the lesser of (A) the fair market value of such asset at such date of determination and (B) the amount of such Indebtedness of such other Persons; (viii) to the extent not otherwise included in this definition, Hedging Obligations of such Person; and (ix) all obligations of the type referred to in clauses (i) through (viii) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations at such date; provided, however, that the amount outstanding at any time of any Indebtedness Incurred with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP. Any Qualified Receivables Transaction, whether or not such transfer constitutes a sale for the purposes of GAAP, shall not constitute Indebtedness hereunder; provided that any receivables financing or securitization that does not constitute a Qualified Receivables Transaction and does not qualify as a sale under GAAP shall constitute Indebtedness hereunder.

*Independent Financial Advisor* means an accounting, appraisal, investment banking firm or consultant of nationally recognized standing that is, in the good faith determination of WESCO Distribution, qualified to perform the task for which it has been engaged.

*Interest Rate Agreement* means with respect to any Person any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

*Investment* in any Person means any direct or indirect advance, loan (other than advances to customers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extension of credit (including by way of Guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. For purposes of the definition of

*Unrestricted Subsidiary* and the covenant described under Certain Covenants Limitation on Restricted Payments, (i) Investment shall include the portion (proportionate to WESCO Distribution's equity interest in such Subsidiary) of the fair market value of the net assets of any Subsidiary of WESCO

**Table of Contents**

Distribution at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, WESCO Distribution shall be deemed to continue to have a permanent Investment in an Unrestricted Subsidiary in an amount (if positive) equal to (x) WESCO Distribution's Investment in such Subsidiary at the time of such redesignation less (y) the portion (proportionate to WESCO Distribution's equity interest in such Subsidiary) of the fair market value of the net assets of such Subsidiary at the time of such redesignation; and (ii) any property transferred to or from an Unrestricted Subsidiary shall be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

*Lien* means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

*Net Available Cash* from an Asset Disposition means cash payments received (including (a) any cash payments received upon the sale or other disposition of any Designated Noncash Consideration received in any Asset Disposition, (b) any cash proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and (c) any cash proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses incurred (including, without limitation, all broker's and finder's fees and expenses, all investment banking fees and expenses, employee severance and termination costs, and trade payable and similar liabilities solely related to the assets sold or otherwise disposed of and required to be paid by the seller as a result thereof), and all Federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under GAAP, as a consequence of such Asset Disposition, (ii) all relocation expenses incurred as a result thereof, (iii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition, (iv) all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition and (v) appropriate amounts to be provided by the seller as a reserve, in accordance with GAAP, against any liabilities associated with the property or other assets disposed of in such Asset Disposition and retained by WESCO Distribution or any Restricted Subsidiary after such Asset Disposition.

*Net Cash Proceeds*, with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

*1998 Notes* means the \$300,000,000 aggregate principal amount of WESCO Distribution's 91/8 Senior Subordinated Notes due 2008 issued under the 1998 Notes Indenture.

*1998 Notes Indenture* means the indenture dated as of June 5, 1998, among WESCO Distribution, Inc., WESCO International, Inc. and J.P. Morgan Trust Company, National Association, under which the 1998 Notes were issued.

*Noteholder* means the Person in whose name a note is registered on the registrar's books.

**Table of Contents**

*Officer* means the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of WESCO Distribution.

*Officers Certificate* means a certificate signed by two Officers.

*Opinion of Counsel* means a written opinion from legal counsel who is acceptable to the Trustee. The counsel may be an employee of or counsel to WESCO Distribution or the Trustee.

*Permitted Investment* means an Investment by WESCO Distribution or any Restricted Subsidiary in (i) WESCO Distribution, a Restricted Subsidiary or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; (ii) another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, WESCO Distribution or a Restricted Subsidiary; (iii) Temporary Cash Investments; (iv) receivables owing to WESCO Distribution or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as WESCO Distribution or any such Restricted Subsidiary deems reasonable under the circumstances; (v) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business; (vi) loans or advances to employees made in the ordinary course of business consistent with past practices of WESCO Distribution or such Restricted Subsidiary and not exceeding \$5.0 million in the aggregate outstanding at any one time; (vii) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to WESCO Distribution or any Restricted Subsidiary or in satisfaction of judgments; (viii) any Person to the extent such Investment represents the non-cash portion of the consideration received for an Asset Disposition that was made pursuant to and in compliance with the covenant described under Certain Covenants Limitation on Sale of Assets and Subsidiary Stock ; (ix) Investments made in connection with any Asset Disposition or other sale, lease, transfer or other disposition permitted under the Indenture; (x) a Receivables Entity or any Investment by a Receivables Entity in any other Person in connection with a Qualified Receivables Transaction, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Transaction or any related Indebtedness; provided that any Investment in a Receivables Entity is in the form of a Purchase Money Note, contribution of additional receivables or an equity interest; (xi) Investments in a Related Business having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (xi) that are at that time outstanding (and not including any Investments outstanding on the Closing Date, not to exceed 5% of Adjusted Consolidated Assets at the time of such Investments (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); and (xii) additional Investments in an aggregate amount which, together with all other Investments made pursuant to this clause that are then outstanding, does not exceed \$10.0 million.

*Permitted Liens* means (a) Liens of WESCO Distribution and its Restricted Subsidiaries securing Indebtedness of WESCO Distribution or any of its Restricted Subsidiaries Incurred under the Credit Agreement or other Credit Facilities to the extent permitted to be Incurred under clause (b)(i) and (xiii) of the description of the Limitation on Indebtedness covenant; (b) Liens in favor of WESCO Distribution or its Wholly Owned Restricted Subsidiaries; (c) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of WESCO Distribution or is merged into or consolidated with WESCO Distribution or any Restricted Subsidiary of WESCO Distribution; provided that such Liens were not Incurred in connection with, or in contemplation of, such merger or consolidation and such Liens do not extend to or cover any property other than such property, improvements thereon and any proceeds therefrom; (d) Liens of WESCO Distribution securing Indebtedness of WESCO Distribution Incurred under

**Table of Contents**

clause (b)(v) of the description of the Limitation on Indebtedness covenant; (e) Liens of WESCO Distribution and its Restricted Subsidiaries securing Indebtedness of WESCO Distribution or any of its Restricted Subsidiaries (including under a Sale/ Leaseback Transaction) permitted to be Incurred under clause (b)(vi), (vii) and (viii) of the description of the Limitation on Indebtedness covenant so long as the Capital Stock, property (real or personal) or equipment to which such Lien attaches solely consists of the Capital Stock, property or equipment which is the subject of such acquisition, purchase, lease, improvement, Sale/ Leaseback Transaction and additions and improvements thereto (and the proceeds therefrom); (f) Liens on property existing at the time of acquisition thereof by WESCO Distribution or any Restricted Subsidiary of WESCO Distribution; provided that such Liens were not Incurred in connection with, or in contemplation of, such acquisition and such Liens do not extend to or cover any property other than such property, additions and improvements thereon and any proceeds therefrom; (g) Liens Incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety or appeal bonds, government contracts, performance and return of money bonds or other obligations of a like nature Incurred in the ordinary course of business; (h) Liens existing on the Closing Date and any additional Liens created under the terms of the agreements relating to such Liens existing on the Closing Date; (i) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings; provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (j) Liens Incurred in the ordinary course of business of WESCO Distribution or any Restricted Subsidiary with respect to obligations that do not exceed \$20.0 million in the aggregate at any one time outstanding and that (1) are not Incurred in connection with or in contemplation of the borrowing of money or the obtaining of advances or credit (other than trade credit in the ordinary course of business) and (2) do not in the aggregate materially detract from the value of the property or materially impair the use thereof in the operation of the business by WESCO Distribution or such Restricted Subsidiary; (k) statutory Liens of landlords and warehousemen s, carrier s, mechanics , suppliers , materialmen s, repairmen s or other like Liens (including contractual landlords liens) arising in the ordinary course of business of WESCO Distribution and its Restricted Subsidiaries; (l) Liens Incurred or deposits made in the ordinary course of business of WESCO Distribution and its Restricted Subsidiaries in connection with workers compensation, unemployment insurance and other types of social security; (m) easements, rights of way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of WESCO Distribution or any of its Restricted Subsidiaries; (n) Liens securing reimbursement obligations with respect to letters of credit permitted under the covenant entitled Limitation on Indebtedness which encumber only cash and marketable securities and documents and other property relating to such letters of credit and the products and proceeds thereof; (o) judgment and attachment Liens not giving rise to an Event of Default; (p) any interest or title of a lessor in the property subject to any Capitalized Lease Obligation permitted under the covenant entitled Limitation on Indebtedness ; (q) Liens on accounts receivable and related assets of the type specified in the definition of Qualified Receivables Transaction Incurred in connection with a Qualified Receivables Transaction; (r) Liens securing Refinancing Indebtedness to the extent such Liens do not extend to or cover any property of WESCO Distribution not previously subjected to Liens relating to the Indebtedness being refinanced; or (s) Liens on pledges of the capital stock of any Unrestricted Subsidiary securing any Indebtedness of such Unrestricted Subsidiary.

*Person* means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

*Preferred Stock* , as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or

**Table of Contents**

as to the WESCO Distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

*principal* of a note means the principal of the note plus the premium, if any, payable on the note which is due or overdue or is to become due at the relevant time.

*Purchase Money Note* means a promissory note of a Receivables Entity evidencing a line of credit, which may be irrevocable, from WESCO Distribution or any Subsidiary of WESCO Distribution in connection with a Qualified Receivables Transaction to a Receivables Entity, which note (a) shall be repaid from cash available to the Receivables Entity, other than (i) amounts required to be established as reserves pursuant to agreements, (ii) amounts paid to investors in respect of interest, (iii) principal and other amounts owing to such investors and amounts owing to such investors, (iv) amounts required to pay expenses in connection with such Qualified Receivables Transaction and (v) amounts paid in connection with the purchase of newly generated receivables and (b) may be subordinated to the payments described in (a).

*Qualified Receivables Transaction* means any financing by WESCO Distribution or any of its Subsidiaries of accounts receivable in any transaction or series of transactions that may be entered into by WESCO Distribution or any of its Subsidiaries pursuant to which (a) WESCO Distribution or any of its Subsidiaries sells, conveys or otherwise transfers to a Receivables Entity and (b) a Receivables Entity sells, conveys or otherwise transfers to any other Person or grants a security interest to any Person in, any accounts receivable (whether now existing or arising in the future) of WESCO Distribution or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable; provided that (i) the Board of Directors shall have determined in good faith that such Qualified Receivables Transaction is economically fair and reasonable to WESCO Distribution and the Receivables Entity and (ii) all sales of accounts receivable and related assets to the Receivables Entity are made at fair market value (as determined in good faith by WESCO Distribution). The grant of a security interest in any accounts receivable of WESCO Distribution or any of its Restricted Subsidiaries to secure Bank Indebtedness shall not be deemed a Qualified Receivables Transaction.

*Receivables Entity* means any Wholly Owned Subsidiary of WESCO Distribution (or another Person in which WESCO Distribution or any Subsidiary of WESCO Distribution makes an Investment and to which WESCO Distribution or any Subsidiary of WESCO Distribution transfers accounts receivable and related assets) (i) which engages in no activities other than in connection with the financing of accounts receivable, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, (ii) which is designated by the Board of Directors (as provided below) as a Receivables Entity and (iii) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (A) is Guaranteed by WESCO Distribution or any other Subsidiary of WESCO Distribution (excluding Guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (B) is recourse to or obligates WESCO Distribution or any other Subsidiary of WESCO Distribution in any way other than pursuant to Standard Securitization Undertakings or (C) subjects any property or asset of WESCO Distribution or any other Subsidiary of WESCO Distribution, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the Board of Directors giving effect to such designation and an Officers Certificate certifying that such designation complied with the foregoing conditions.



**Table of Contents**

*Refinance* means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue other Indebtedness exchange or replacement for, such Indebtedness. Refinanced and Refinancing shall have correlative meanings.

*Refinancing Indebtedness* means Indebtedness that is Incurred to refund, refinance, replace, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness of WESCO Distribution or any Restricted Subsidiary existing on the Closing Date or Incurred in compliance with the Indenture (including Indebtedness of WESCO Distribution that Refinances Refinancing Indebtedness); provided, however, that (i) the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, (ii) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced and (iii) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being Refinanced (plus any accrued interest and premium thereon and reasonable expenses Incurred in connection therewith); provided further, however, that Refinancing Indebtedness shall not include (x) Indebtedness of a Restricted Subsidiary that Refinances Indebtedness of WESCO Distribution or (y) Indebtedness of WESCO Distribution or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

*Registration Rights Agreement* means that certain registration rights agreement dated as of the date of Indenture by and among WESCO Distribution, WESCO International and the initial purchasers set forth therein.

*Related Business* means any businesses of WESCO Distribution and the Restricted Subsidiaries on the Closing Date and any business related, ancillary or complementary thereto.

*Representative* means the trustee, agent or representative (if any) for an issue of Senior Indebtedness of WESCO Distribution.

*Restricted Subsidiary* means any Subsidiary of WESCO Distribution other than an Unrestricted Subsidiary.

*Sale/ Leaseback Transaction* means an arrangement relating to property now owned or hereafter acquired by WESCO Distribution or a Restricted Subsidiary whereby WESCO Distribution or a Restricted Subsidiary transfers such property to a Person and WESCO Distribution or such Restricted Subsidiary leases it from such Person, other than leases between WESCO Distribution and a Wholly Owned Subsidiary or between Wholly Owned Subsidiaries.

*SEC* means the Securities and Exchange Commission.

*Secured Indebtedness* means any indebtedness of WESCO Distribution secured by a Lien.

*Secured Indebtedness* of WESCO International has a correlative meaning.

*Securities Act* means the Securities Act of 1933, as amended.

*Senior Discount Notes* means the 111/8% senior discount notes due 2008 issued by WESCO International under the indenture dated as of June 5, 1998 between WESCO International and J.P. Morgan Trust Company, National Association.

*Senior Subordinated Indebtedness* of WESCO Distribution means the 1998 Notes, the notes and any other Indebtedness of WESCO Distribution that specifically provides that such Indebtedness is to rank *pari passu* with the notes in right of payment and is not subordinated by its terms in right of payment to any Indebtedness or other obligation of WESCO Distribution

**Table of Contents**

which is not Senior Indebtedness. Senior Subordinated Indebtedness of WESCO International has a correlative meaning.

*Significant Subsidiary* means any Restricted Subsidiary that would be a Significant Subsidiary of WESCO Distribution within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC, but shall in no event include a Receivables Entity.

*Standard Securitization Undertakings* means representations, warranties, covenants and indemnities entered into by WESCO Distribution or any Subsidiary of WESCO Distribution which WESCO Distribution has determined in good faith to be customary in an accounts receivable transaction including, without limitation, those relating to the servicing of the assets of a Receivables Entity.

*Stated Maturity* means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

*Subordinated Obligation* means any Indebtedness of WESCO Distribution (whether outstanding on the Closing Date or thereafter Incurred) that is subordinate or junior in right of payment to the notes pursuant to a written agreement. *Subordinated Obligation* of WESCO International has a correlative meaning.

*Subsidiary* of any Person means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person, (ii) such Person and one or more Subsidiaries of such Person or (iii) one or more Subsidiaries of such Person.

*Temporary Cash Investments* means any of the following: (i) any investment in direct obligations of the United States of America or any agency thereof or obligations Guaranteed by the United States of America or any agency thereof, (ii) investments in time deposit accounts, certificates of deposit and money market deposits maturing within one year of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America having capital, surplus and undivided profits aggregating in excess of \$100,000,000 (or the foreign currency equivalent thereof) and whose long-term debt is rated A (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker-dealer or mutual fund distributor, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (i) above entered into with a financial institution meeting the qualifications described in clause (ii) above, (iv) investments in commercial paper, maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of WESCO Distribution) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of P-1 (or higher) according to Moody's Investors Service, Inc. or A-1 (or higher) according to Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. ( S&P ), and (v) investments in securities with maturities of one year or less from the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least A by S&P or A by Moody's Investors Service, Inc.

**Table of Contents**

*TIA* means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of the Indenture.

*Trade Payables* means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

*Trustee* means the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

*Trust Officer* means the Chairman of the Board, the President or any other officer or assistant officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

*Unrestricted Subsidiary* means (i) any Subsidiary of WESCO Distribution that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below and (ii) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary of WESCO Distribution (including any newly acquired or newly formed Subsidiary of WESCO Distribution) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or owns or holds any Lien on any property of, WESCO Distribution or any other Subsidiary of WESCO Distribution that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (A) the Subsidiary to be so designated has total Consolidated assets of \$1,000 or less or (B) if such Subsidiary has Consolidated assets greater than \$1,000, then such designation would be permitted under the covenant entitled *Certain Covenants Limitation on Restricted Payments*. The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (x) WESCO Distribution could Incur \$1.00 of additional Indebtedness under paragraph (a) of the covenant described under *Certain Covenants Limitation on Indebtedness* and (y) no Default shall have occurred and be continuing. Any such designation of a Subsidiary as a Restricted Subsidiary or Unrestricted Subsidiary by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officers Certificate certifying that such designation complied with the foregoing provisions.

*U.S. Government Obligations* means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

*Voting Stock* of a Person means all classes of Capital Stock or other interests (including partnership interests) of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

*WESCO International Guarantee* means the Guarantee of WESCO International of the obligations with respect to the notes issued by WESCO Distribution pursuant to the terms of the Indenture. Such WESCO International Guarantee will be substantially in the form prescribed in the Indenture.

*Wholly Owned Subsidiary* means a Restricted Subsidiary of WESCO Distribution all the Capital Stock of which (other than directors' qualifying shares) is owned by WESCO Distribution or another Wholly Owned Subsidiary.

**Table of Contents**

**BOOK-ENTRY; DELIVERY AND FORM**

Except as set forth below, the notes were issued in registered, global form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

**The Global Notes**

The notes initially were represented by one or more notes in registered, global form without interest coupons (collectively, the Global Notes ). The Global Notes were deposited upon issuance with the trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for definitive notes in registered certificated form ( Certificated Notes ) except in the limited circumstances described below. See Exchange of Global Notes for Certificated Notes. Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

**Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the Participants ) and to facilitate the clearance and settlement of transactions in those securities between the Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the Indirect Participants ). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

upon deposit of the Global Notes, DTC will credit the accounts of the Participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and

ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

**Table of Contents**

Investors in the Global Notes who are Participants may hold their interests therein directly through DTC. Investors in the Global Notes who are not Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are Participants. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Person will be limited to that extent. Because DTC can act only on behalf of the Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the indenture for any purpose.**

Payments in respect of the principal of, and interest and premium, if any, and additional interest, if any, or, a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the indenture. Under the terms of the indenture, we and the trustee will treat the Person in whose names the notes, including the Global Notes, are registered as the owners of the notes for the purpose of receiving payments and for all other purposes. Consequently, neither we, the trustee nor any agent of us or the trustee has or will have any responsibility or liability for:

any aspect of DTC's records or any Participants or Indirect Participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Notes; or

any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of notes will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the trustee or us. Neither we nor the trustee will be liable for any delay by DTC or any of the Participants or the Indirect Participants in identifying the beneficial owners of the notes, and we and the trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between the Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effective in accordance with their respective rules and operating procedures. Subject to compliance with the transfer restrictions applicable to the notes described herein, cross-market transfers between the Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositories;

**Table of Contents**

however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear and Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the notes, we reserve the right to exchange the Global Notes for notes in certificated form, and to distribute such notes to its Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we, the trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

**Certificated Notes**

Subject to certain conditions, any Person having a beneficial interests in a Global Note may, upon prior written request to the trustee, exchange such beneficial interests for notes in the form of Certificated Notes. Upon any such issuance, the trustee is required to register such Certificated Notes in the name of, and cause the same to be delivered to, such Person or Persons (or their nominee).

Neither we nor the trustee will be liable for any delay by the Global Note Holder or DTC in identifying the beneficial owners of notes and we and the trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or DTC for all purposes.

**Exchange of Global Notes for Certificated Notes**

A Global Note is exchangeable for Certificated Notes if:

DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in either case, we fail to appoint a successor depository;

We, at our option, notifies the trustee in writing that it elects to cause the issuance of the Certificated Notes; or

there has occurred and is continuing a Default with respect to the notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the trustee by or on behalf of DTC in accordance with the indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in Notice to Investors, unless that legend is not required by applicable law.

**Table of Contents**

**Same Day Settlement and Payment**

We will make payments in respect of the notes represented by the Global Notes (including principal, premium, if any, interest and additional interest, if any) by wire transfer of immediately available funds to the accounts specified by DTC or its nominee. We will make all payments of principal, interest and premium, if any, and additional interest, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The notes represented by the Global Notes are expected to be eligible to trade in The PORTAL<sup>sm</sup> Market and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such notes will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any Certificated Notes will also be settled in immediately available funds. Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

**Table of Contents**

**CERTAIN MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS**

The following general discussion represents the opinion of our counsel, Kirkpatrick & Lockhart Nicholson Graham LLP, as to the material U.S. federal income tax considerations with respect to the acquisition, ownership and disposition of a note. This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), the applicable treasury regulations promulgated and proposed thereunder, judicial authority and current administrative rulings and practice, all of which are subject to change, possibly with retroactive effect. This discussion is a summary for general information only and does not consider all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership, and disposition of the notes by a prospective investor in light of his or her or its own personal circumstances. This discussion is limited to the U.S. federal income tax consequences to persons who acquired the note for cash on its original issuance at its issue price and who held the note and will hold the note as a capital asset within the meaning of Section 1221 of the Code. This discussion does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular holders in light of their personal investment circumstances or status, nor does it discuss the U.S. federal income tax consequences to certain types of holders subject to special treatment under the U.S. federal income tax laws (for example, financial institutions, insurance companies, dealers in securities or foreign currency, tax-exempt organizations, banks, thrifts, insurance companies, taxpayers holding the notes through a partnership or similar pass-through entity or as part of a straddle, hedge or conversion transaction, or taxpayers that have a functional currency other than the U.S. dollar). We have not obtained a ruling from the Internal Revenue Service (the IRS) regarding the tax treatment of the notes.

For purposes of this discussion, a U.S. holder is a beneficial owner of a note that is:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The term non-U.S. holder means a beneficial owner of a note (other than a partnership) that is not a U.S. holder.

If a partnership holds the notes, the tax treatment of a partner of such partnership should generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the notes, you should consult your own tax advisors.

**Holders are urged to consult their own tax advisors concerning the particular U.S. Federal income and estate tax consequences of the ownership of the notes, as well as the consequences arising under the laws of any other taxing jurisdiction.**

**U.S. Holders**

The following discussion is a summary of certain U.S. federal income tax consequences that will apply to you if you are a U.S. holder of notes.



**Table of Contents**

***Interest***

Interest on a note will generally be taxable to a U.S. Holder as ordinary income at the time it is paid or accrued in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

***Sale, Exchange, Redemption or Repayment***

Upon the disposition of a note by sale, exchange or redemption, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the disposition, other than amounts attributable to accrued interest not yet taken into income which will be taxed as ordinary income, and the U.S. Holder's tax basis in the note.

Assuming the note is held as a capital asset, any gain will generally constitute capital gain, and will be long-term capital gain if the U.S. Holder has held the note for longer than 12 months. Any loss will be long-term capital loss if the U.S. Holder has held the note for longer than 12 months. The deductibility of capital losses is subject to limitations.

**Non-U.S. Holders**

The following discussion is limited to the U.S. federal income and estate tax consequences to a holder of a note that is a beneficial owner of a note and that is a Non-U.S. Holder. For purposes of the discussion below, interest and gain on the sale, exchange or other disposition of notes will be considered to be U.S. trade or business income if such income or gain is:

effectively connected with the conduct of a U.S. trade or business or

in the case of a treaty resident, attributable to a U.S. permanent establishment (or, in the case of an individual, a fixed base) in the United States.

***Interest***

Generally, interest paid to a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax if such interest is not U.S. trade or business income and is portfolio interest. Generally, interest on the notes will qualify as portfolio interest if such interest is not effectively connected with a U.S. trade or business and the Non-U.S. Holder: does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock;

is not a controlled foreign corporation with respect to which we are a related person within the meaning of the Code;

is not a bank receiving interest on the extension of the credit made pursuant to a loan agreement made in the ordinary course of its trade or business; and

certifies, under penalties of perjury, that such holder is not a U.S. person and provides such holder's name and address.

The gross amount of payments of interest that do not qualify for the portfolio interest exception and that are not U.S. trade or business income will be subject to U.S. withholding tax at a rate of 30% unless a treaty applies to reduce or eliminate withholding or a Non-U.S. Holder claims such income is effectively connected with a U.S. trade or business. U.S. trade or business income will be taxed at regular graduated U.S. rates rather than the 30% gross rate. In the case of a Non-U.S. Holder that is a corporation, such U.S. trade or business income also may be subject to the branch profits tax. To claim an exemption from withholding in the case of U.S. trade or business income, or to claim the benefits of a treaty, a Non-U.S. Holder must provide a properly executed Form W-ECI (in the case of U.S. trade or business income) or Form W-8BEN (in the case of a treaty), or any successor form, as applicable, prior to the payment of interest. These forms must be periodically updated. A Non-U.S. Holder who is

**Table of Contents**

claiming the benefits of a treaty may be required, in certain instances, to obtain a U.S. taxpayer identification number and to provide certain documentary evidence issued by foreign governmental authorities to prove residence in the foreign country. Also, special procedures are provided under applicable regulations for payment through qualified intermediaries.

***Sale, Exchange, or Redemption***

Any gain realized on the disposition of a note by a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless:

the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

the gain is U.S. trade or business income.

***Federal Estate Tax***

The notes held (or treated as held) by an individual who is a Non-U.S. Holder at the time of his death will not be subject to U.S. federal estate tax, provided that the individual does not actually or constructively own 10% or more of the total voting power of our voting stock and income on the notes was not U.S. trade or business income.

**Backup Withholding and Information Reporting**

In general, if you are a U.S. holder of notes, information reporting requirements will apply to all payments we make to you and the proceeds from a sale of a note made to you (unless you are an exempt recipient such as a corporation). A backup withholding tax of 28% may apply to such payments if you fail to provide a taxpayer identification number or a certification of exempt status, or if you fail to report in full dividend and interest income.

In general, if you are a Non-U.S. holder, you will not be subject to backup withholding with respect to payments that we make to you provided that we do not have actual knowledge or reason to know that you are a U.S. person and you have given us the statement described above under **Interest** . We must report annually to the IRS and to each Non-U.S. Holder the amount of interest paid to such holder and the tax withheld with respect to such interest, regardless of whether withholding was required. Copies of the information returns reporting such interest and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In addition, if you are a Non-U.S. Holder, payments of the proceeds of a sale of a note within the United States or conducted through certain U.S.-related financial intermediaries are subject to both backup withholding and information reporting unless you certify under penalties of perjury that you are Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that you are a U.S. person) or you otherwise establish an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is furnished to the IRS.

**Table of Contents**

**PLAN OF DISTRIBUTION**

Each broker-dealer that received notes for its own account acknowledged that it will deliver a prospectus in connection with any resale of such notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of notes received in exchange for original notes where such original notes were acquired as a result of market-making activities or other trading activities. We and WESCO International have agreed that, for a period of 180 days after July 11, 2006, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until August 22, 2006, all dealers effecting transactions in the notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of notes by broker-dealers. Notes received by broker-dealers for their own account may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such notes. Any broker-dealer that resells notes that were received by it for its own account and any broker or dealer that participates in a distribution of such notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit on any such resale of notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. By acknowledging that it will deliver and by delivering a prospectus, a broker-dealer is not deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of 180 days after July 11, 2006, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the accompanying letter of transmittal. We have agreed to

**Table of Contents**

**LEGAL MATTERS**

Certain legal matters with respect to the notes have been passed upon for us by Kirkpatrick & Lockhart Nicholson Graham LLP, Pittsburgh, Pennsylvania.

**EXPERTS**

The financial statements as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) as of December 31, 2005, included in this prospectus, have been so included in reliance on the report (which contains an explanatory paragraph relating to management's exclusion of Carlton-Bates Company and Fastec Industrial Corp. from its assessment of internal control over financial reporting as of December 31, 2005 because they were acquired by the Company in purchase business combinations during 2005) of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The valuation of intangible assets referred to in this prospectus was conducted by American Appraisal Associates, Inc., an independent appraiser.