WESCO INTERNATIONAL INC
Form 8-K
October 25, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): October 25, 2006
WESCO INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-14989	25-1723342
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

225 West Station Square Drive, Suite 700 Pittsburgh, Pennsylvania	15219
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: (412) 454-2200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01. Regulation FD Disclosure.

On October 25, 2006, WESCO International, Inc. announced an offering of convertible debt securities. It is expected that the net proceeds from the offering, along with borrowings under credit facilities, will be used to finance WESCO Distribution Inc. s previously announced acquisition of Communications Supply Holdings, Inc., which is described below.

On October 3, 2006, we announced that WESCO Distribution and Communications Supply had entered into an Agreement and Plan of Merger pursuant to which a wholly-owned subsidiary of WESCO Distribution will merge with and into Communications Supply, which will become a wholly-owned subsidiary of WESCO Distribution. Communications Supply, headquartered in Carol Stream, Illinois, is a leading national distributor of low voltage network infrastructure and industrial wire and cable products. Through its network of 32 branches, Communications Supply distributes a full range of products to support advanced connectivity for voice and data communications, access control, security surveillance and building automation. Communications Supply s sales force consists of over 300 associates, and its marketing activities reflect a strong focus on the Fortune 1000 and large institutional customers in the United States. Based on financial information included elsewhere in this offering memorandum, we believe that Communications Supply had net sales of approximately $431 million, $285 million and $508 million and estimated EBITDA of approximately $32 million, $23 million and $41 million for the year ended December 30, 2005 and the six and twelve months ended June 30, 2006, respectively.

The Merger Agreement

Under the merger agreement, a wholly-owned subsidiary of WESCO Distribution will merge with and into Communications Supply. Communications Supply would survive the merger as a wholly-owned subsidiary of WESCO Distribution, and the separate existence of the wholly-owned subsidiary of WESCO Distribution that will be merged with and into Communications Supply would terminate.

The cash purchase price for the acquisition of Communications Supply is approximately $525 million, subject to adjustment based on working capital at the time of closing and certain other costs. Of the purchase price, $17 million will be held in escrow following closing to address working capital adjustments and potential indemnification claims of WESCO Distribution. Up to $12 million of the amount held in escrow may be released at any time on or after June 30, 2007 under certain circumstances, with any remaining amount held in escrow being eligible for release after January 31, 2008.

Completion of the merger is subject to various customary closing conditions, including the termination or expiration of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. While we anticipate that all such conditions will be satisfied, we cannot assure you that all such conditions will be satisfied or, where permissible, waived.

The merger agreement provides that it may be terminated at any time prior to the closing under certain circumstances, including by mutual written consent of Communications Supply and us or by either Communications Supply or us if any of the other party s representations and warranties contained in the merger agreement fail to be true and correct.

Summary Pro Forma Consolidated Financial Information

The summary pro forma consolidated financial information set forth below gives effect to our acquisition of Communications Supply and the completion of a previously announced offering of convertible debentures, as if each had occurred as of the beginning of the periods presented, with respect to the income statement data and other financial data, and as of June 30, 2006, with respect to the balance sheet data, and has been derived from our historical financial statements incorporated herein by reference from our Annual Report on Form 10-K for our fiscal year ended December 31, 2005 and our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2006 and the historical financial statements of Communications Supply which appear elsewhere in this Current Report. The pro forma adjustments are based upon available information and certain assumptions which we consider reasonable. See Unaudited Pro Forma Condensed Combined Financial Information, which appears elsewhere in this Current Report, for more detailed information about the pro forma adjustments that have been made to arrive at the unaudited pro forma consolidated financial information presented below. The pro forma results of operations are not necessarily indicative of the results of operations which would have been achieved had the transactions reflected therein been consummated on the date indicated or which will be achieved in the future.

	Year Ended December 31, 2005	Six Months Ended June 30, 2006	Twelve Months Ended June 30, 2006
	(In millions, except share and per share data)		
Income Statement Data:			
Net sales	$ 4,851.8	$ 2,886.3	$ 5,477.3
Gross profit(1)	944.9	593.4	1,113.0
Selling, general and administrative expenses	685.0	386.0	754.9
Depreciation and amortization	30.0	18.2	35.5
Income from operations	229.8	189.3	322.5
Interest expense, net	53.0	23.4	48.9
Loss on debt extinguishment(2)	14.9		4.9
Other expenses(3)	13.3	11.3	19.6
Income before income taxes	148.6	154.6	249.1
Provision for income taxes	47.3	51.4	81.7
Net income	$ 101.4	$ 103.2	$ 167.4
Earnings per common share			
Basic	$ 2.15	$ 2.13	$ 3.50
Diluted	$ 2.06	$ 1.98	$ 3.25
Weighted average common shares outstanding			
Basic	47,085,524	48,334,545	47,827,093
Diluted	49,238,436	52,124,312	51,541,246
Other Financial Data:			
EBITDA (as defined)(4)	$ 259.8	$ 207.5	$ 358.0

		As of June 30, 2006 (In millions)
Balance Sheet Data:		
Total assets	$	2,301.7
Total long-term debt (including current portion)		739.1
Stockholders equity		629.8

(1) Excludes depreciation and amortization.

(2) Represents a charge relating to the write-off of unamortized debt issuance and other costs associated with the early extinguishment of debt.

(3) Represents costs relating to the sale of accounts receivable pursuant to our accounts receivable securitization facility. See Note 4 to our audited consolidated financial statements, which are incorporated by reference in this offering memorandum.

(4) The table below shows how we calculate EBITDA:

	Year Ended December 31, 2005		Six Months Ended June 30 2006		Twelve Months Ended June 30 2006	
			(In millions)			
Income from operations	$	229.8	$	189.3	$	322.5
Depreciation and Amortization		30.0		18.2		35.5
EBITDA (as defined)	$	259.8	$	207.5	$	358.0

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information gives effect to the acquisition by WESCO International, Inc. (WESCO) of Communications Supply Corporation (CSC), which is expected to be completed by November 3, 2006, and the previously announced offering of convertible debentures, as if the acquisition and the offering were completed on June 30, 2006 with respect to the balance sheet data and on January 1, 2005 with respect to the statement of income data. The following unaudited pro forma condensed combined financial information is derived from the historical financial statements of WESCO and CSC and should be read in conjunction with their respective consolidated financial statements, including the notes thereto. The pro forma adjustments are based upon available information and certain assumptions that WESCO considers reasonable. The following unaudited pro forma condensed combined financial information has been prepared for informational purposes only and does not purport to be indicative of the actual results of operation of the combined enterprise if the acquisition had actually occurred on the dates indicated or what may result in the future.

WESCO has a December 31 fiscal year end and CSC operates on a 52 to 53 week fiscal year ending on the last Friday in December. The following unaudited pro forma condensed combined financial information includes: (i) an unaudited pro forma condensed combined balance sheet as of June 30, 2006; (ii) an unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2006; and (iii) an unaudited pro forma condensed statement of income for the year ended December 31, 2005.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
JUNE 30, 2006

	Historical WESCO June 30, 2006(a)	Historical CSC June 30, 2006(b)	Adjustments	Notes	Pro Forma Combined June 30, 2006
			(In thousands)		
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 37,823	$ 23	$ (9,023)	e, s	$ 28,823
Accounts receivables, net	386,189	111,491	(110,000)	d	387,680
Other accounts receivable	22,104				22,104
Inventories, net	536,249	85,386			621,635
Current deferred income taxes	15,384	5,720			21,104
Income taxes receivable	10,287				10,287
Prepaid expenses and other current assets	9,535	6,635			16,170
Total current assets	1,017,571	209,255	(119,023)		1,107,803
Property buildings and equipment, net:	104,373	5,835			110,208
Intangible assets, net	81,082	59,375	(59,375)	e	
			148,000	c	229,082
Goodwill	550,830	126,819	(126,819)	e	
			261,221	c	
			21,095	g	833,146
Other assets	12,078	2,806	6,601	f, s	21,485
Total assets	$ 1,765,934	$ 404,090	$ 131,700		$ 2,301,724
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities:					
Accounts payable	$ 610,816	$ 50,675			$ 661,491
Accrued payroll and benefit costs	37,120				37,120
Current portion of long-term debt	5,663	1,300	(1,300)	f	
			25,000	d	30,663
Deferred acquisition payable	4,632				4,632
Other current liabilities	40,323	22,779	(1,765)	f	61,337
Total current liabilities	698,554	74,754	21,935		795,243
Long-term debt	349,122	188,028	(188,028)	f	
			390,000	d	739,122
Other noncurrent liabilities	11,337	617			11,954
Deferred income taxes	77,119	27,389	21,095	g	125,603

Total liabilities	1,136,132	290,788	245,002		1,671,922
Stockholders Equity:					
Preferred Stock		8	(8)	e	
Common stock	531	91	(91)	e	531
Class B nonvoting convertible common stock	43				43
Additional paid-in capital	749,158	96,014	(96,014)	e	749,158
Notes receivable from stockholders		(765)	765	e	
Retained earnings (deficit)	(68,704)	17,792	(17,792)	e	(68,704)
Treasury stock	(67,769)				(67,769)
Accumulated other comprehensive income	16,543	162	(162)	e	16,543
Total stockholders equity	629,802	113,302	(113,302)		629,802
Total liabilities and shareholders equity	$ 1,765,934	$ 404,090	$ 131,700		$ 2,301,724

See notes to unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2006

	Historical WESCO For the Six Months Ending June 30, 2006(h)	Historical CSC For the Six Months Ending June 30, 2006(i)	Adjustments	Notes	Pro Forma Combined For the Six Months Ending June 30, 2006
	(In thousands, except share and per share data)				
Net sales	$ 2,601,484	$ 284,824			$ 2,886,308
Cost of goods sold	2,077,825	215,040			2,292,865
Gross profit	523,659	69,784			593,443
Selling, general and administrative expenses	339,410	46,547			385,957
Depreciation and amortization	12,596	5,228	(3,610)	o	
			4,000	p	18,214
Income from operations	171,653	18,009	(390)		189,272
Interest expense, net	12,006	9,520	(9,520)	l	
			11,163	m	
			225	n	23,394
Other expenses (income)	11,323				11,323
Income before income taxes	148,324	8,489	(2,258)		154,556
Provision for income taxes	48,696	3,518	(842)	r	51,372
Net income	$ 99,628	$ 4,971	$ (1,415)		$ 103,184
Earnings Per Share:					
Weighted average common shares outstanding used in computing basic earnings per share	48,334,545				48,334,545
Basic earnings per share	$ 2.06				$ 2.13
Weighted average common shares outstanding including common shares issuable upon exercise of dilutive stock options used in computing diluted earnings per share	52,124,312				52,124,312
Diluted earnings per share	$ 1.91				$ 1.98

See notes to unaudited pro forma condensed combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2005

	Historical WESCO For the Year Ending December 31, 2005(j)	Historical CSC For the Year Ending December 30, 2005(k)	Adjustments	Note	Pro Forma Combined For the Year Ending December 31, 2005
	(In thousands, except share and per share data)				
Net sales	$ 4,421,103	$ 430,671			$ 4,851,774
Cost of goods sold	3,580,398	326,526			3,906,924
Gross profit	840,705	104,145			944,850
Selling, general and administrative expenses	612,780	72,184	28	q	684,992
Depreciation and amortization	18,639	9,007	(5,610)	o	
			8,000	p	30,036
Income from operations	209,286	22,954	(2,418)		229,822
Interest expense, net	30,183	12,254	(12,254)	l	
			22,325	m	
			450	n	52,958
Loss on debt extinguishment, net	14,914				14,914
Other expenses (income)	13,305				13,305
Income before income taxes	150,884	10,700	(12,939)		148,645
Provision for income taxes	47,358	4,682	(4,762)	r	47,278
Net income	$ 103,526	$ 6,018	$ (8,177)		$ 101,367
Earnings Per Share:					
Weighted average common shares outstanding used in computing basic earnings per share	47,085,524				47,085,524
Basic earnings per share	$ 2.20				$ 2.15
Weighted average common shares outstanding including common shares issuable upon exercise of dilutive stock options used in computing diluted earnings per share	49,238,436				49,238,436
	$ 2.10				$ 2.06

Diluted earnings per share

See notes to unaudited pro forma condensed combined financial statements.

WESCO International, Inc.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared using the purchase method of accounting as if the transaction had been completed as of January 1, 2005 for purposes of the Unaudited Pro Forma Condensed Combined Statements of Income and on June 30, 2006 for the purposes of the Unaudited Pro Forma Condensed Combined Balance Sheet.

WESCO s fiscal year end is December 31 and CSC operates on a 52 to 53 week fiscal year ending on the last Friday in December which the latest is December 30, 2005. The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the separate historical Consolidated Financial Statements and accompanying notes included in WESCO s Annual Report on Form 10-K for the year ended December 31, 2005 and Quarterly Reports on Form 10-Q for the three and six months ended March 31, 2006 and June 30, 2006 and CSC audited financial statements for the year ended December 30, 2005 and the Unaudited Condensed Consolidated Financial Statements for the six months ended June 30, 2006. The Unaudited Pro Forma Condensed Combined Financial Information is not intended to be indicative of the consolidated results of operations or the financial condition of WESCO that would have been reported had the merger been completed as of the dates presented and should not be taken as representative of the future consolidated results of operations or financial condition of WESCO. The accompanying Unaudited Pro Forma Condensed Combined Financial Information is presented in accordance with Article 11 of the U.S. Securities and Exchange Commission Regulation S-X.

Under the purchase method of accounting, the purchase price is allocated to the underlying assets acquired and liabilities assumed based on their representative fair market values, with any excess purchase price allocated to goodwill. The pro forma purchase price allocation has been derived from estimates of the fair market value of the tangible and intangible assets and liabilities of CSC based upon WESCO management s estimates using valuation techniques. Certain assumptions have been made with respect to the fair market value of identifiable intangible assets as more fully described in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information. The total purchase price of CSC has been allocated on a preliminary basis to identifiable assets acquired and liabilities assumed based upon valuation procedures performed to date. This allocation is subject to change pending a final analysis of the total purchase price paid, including the direct costs of the acquisition and the estimated fair value of the assets acquired and liabilities assumed.

The Unaudited Pro Forma Condensed Combined Financial Information does not reflect any effect of operating efficiencies, cost savings, and other benefits anticipated by WESCO s management as a result of the merger. Additionally, certain integration costs may be recorded subsequent to the merger that under purchase accounting will not be treated as part of the CSC purchase price. These costs have not been reflected in these Unaudited Pro Forma Condensed Statements of Income because they are not expected to have a continuing impact on the combined results.

2. PRO FORMA ADJUSTMENTS

The pro forma adjustments give effect to the acquisition of CSC by WESCO.

Balance Sheet-As of June 30, 2006

(a) Derived from the unaudited WESCO condensed consolidated balance sheet as of June 30, 2006.

(b) Derived from the unaudited CSC consolidated balance sheet as of June 30, 2006.

WESCO International, Inc.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION (Continued)

(c) The following table summarizes the estimated allocation of the purchase price for CSC and the pro forma adjustments to record goodwill:

	As of June 30, 2006	Estimated Useful Life	Annual Amortization
	(In thousands, except estimated useful life)		
Historical value of assets and liabilities assumed:			
Accounts receivables, net	$ 111,491		
Inventories, net	85,386		
Current deferred income taxes	5,720		
Other current assets	6,635		
Property and equipment	5,835		
Other long-term assets	407		
Current liabilities assumed	(71,689)		
Deferred income taxes	(27,389)		
Other long-term liabilities assumed	(617)		
Total historical value of assets and liabilities assumed	115,779		
Identifiable intangibles at fair value:			
Customer relationships	90,000	15 years	$ 6,000
Supplier relationships	24,000	12 years	2,000
Tradename / trademarks	34,000	Indefinite	
Total identifiable intangibles:	148,000		
Net fair value assigned to assets acquired and liabilities assumed	263,779		
Goodwill	261,221		
Total purchase price	$ 525,000		$ 8,000

The allocation of purchase price to identifiable intangibles at fair value is preliminary and can change upon completion of the analysis. A $5 million reduction in the amount of customer relationships would cause a reduction in annual amortization of approximately $330,000. A one-year reduction in the useful life of customer relationships would result in an increase of annual amortization of approximately $429,000. A $5 million reduction in the amount of supplier relationships would cause a reduction in annual amortization of approximately $417,000. A one-year reduction in the useful life of supplier relationships would result in an increase of annual amortization of approximately $182,000.

(d) The following represents a summary of the purchase price consideration:

	2.0% Convertible Senior Debentures Due 2026	Revolving Credit	Accounts Receivable Securitization	Total
	(In thousands, except percentages)			
Principal	$ 250,000	$ 165,000	$ 110,000	$ 525,000
Interest rate	2.000%	6.500%	6.000%	
Current		$ 25,000		$ 25,000

WESCO International, Inc.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION (Continued)

For purposes of preparing the pro forma financial information, an interest rate of 2.0% is assumed for the Convertible Senior Debentures due 2026 issued in this offering.

Deferred financing fees related to the issuance of 2.0% Convertible Senior Debentures due 2026 are estimated to be $9 million resulting in net proceeds of $241 million. Amortization of the deferred financing fees is over 240 months and $450,000 annually.

(e) Reflects elimination of the CSC goodwill, intangibles, cash and equity not assumed in the acquisition.

(f) Reflects elimination of CSC bank debt and related deferred financing fees and accrued interest as follows:

Debt	Balance As of June 30, 2006	Deferred Financing Fees	Accrued Interest
		(In thousands)	
Revolving bank loan	$ 9,778		
Term loan	129,738		
Senior subordinated notes	49,812		
Total	189,328		
Less current portion	1,300		
Long-term portion	$ 188,028	$ 2,399	$ 1,765

(g) To record adjustments for deferred tax assets related to identified intangible assets:

	Preliminary Fair Value	Statutory Tax Rate	Deferred Tax Asset (Liability)
	(In thousands, except percentages)		
Long term deferred taxes			
Intangible assets			
Customer relationships	$ 90,000	37.30%	$ (33,570)
Supplier relationships	24,000	37.30%	(8,952)
Tradename / Trademarks	34,000		

Subtotal long term deferred taxes		(42,522)
Deferred tax liability on CSC carry-over basis		21,427
Incremental deferred tax liability	$	(21,095)

Unaudited Pro Forma Condensed Statements of Income

(h) Derived from the unaudited WESCO consolidated statement of income for the six months ended June 30, 2006.

(i) Derived from the unaudited CSC consolidated statement of income for the six months ended June 30, 2006.

(j) Derived from the audited WESCO consolidated statement of income for the year ended December 31, 2005.

(k) Derived from the audited CSC consolidated statement of income for the year ended December 30, 2005.

WESCO International, Inc.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION (Continued)

(l) Reflects elimination of interest expense related to CSC debt being eliminated at acquisition.

(m) Reflects interest on the purchase related borrowings as follows:

	2.0% Convertible Senior Debentures Due 2026	Revolving Credit Facility	Accounts Receivable Securitization	Total
		(In thousands)		
For the year ended December 31, 2005	$ 5,000	$ 10,725	$ 6,600	$ 22,325
For the six months ended June 30, 2006	$ 2,500	$ 5,363	$ 3,300	$ 11,163

For purposes of preparing the pro forma financial information, an interest rate of 2.0% is assumed for the Convertible Senior Debentures due 2026 in this offering.

(n) Reflects amortization on the purchase related borrowings deferred financing fees as follows (in thousands):

For the year ended December 31, 2005	$ 450
For the six months ended June 30, 2006	$ 225

(o) Reflects elimination of amortization of intangibles related to CSC as follows (in thousands):

For the year ended December 30, 2005	$ 5,610
For the six months ended June 30, 2006	$ 3,610

(p) Reflects amortization of intangibles related to the acquisition of CSC as follows (in thousands):

For the year ended December 31, 2005	$ 8,000
For the six months ended June 30, 2006	$ 4,000

(q) Reflects adjustment for fair value based method of accounting for CSC stock based awards (FAS 123):

	For the Year Ended Ended December 31,

	2005 (In thousands)
Share Based Options Not Expensed	$ 28

(r) Reflects income taxes on the related pro forma adjustments based on the then statutory tax rate as follows:

	For the Year Ended December 31, 2005	For the Six Months Ended June 30, 2006
	(In thousands, except percentages)	
Statutory rate	36.8%	37.3%
Income taxes related to pro forma adjustments	$ (4,762)	$ (842)

(s) Reflects deferred financing fees as follows (in thousands):

2.0% Convertible Senior Debenture Initial Purchase Discount	$ 6,025
Other offering fees	2,975
Total	$ 9,000

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Communications Supply Holdings, Inc.

Report of Independent Auditors

The Board of Directors
Communications Supply Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Communications Supply Holdings, Inc. & Subsidiary as of December 30, 2005 and December 31, 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for the year ended December 30, 2005 and the period from inception (May 4, 2004) through December 31, 2004, and of the Predecessor for the period from December 27, 2003 through May 3, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Communications Supply Holdings, Inc. as of December 30, 2005 and December 31, 2004, and the consolidated results of its operations and its cash flows for the year ended December 30, 2005 and for the period from inception (May 4, 2004) through December 31, 2004 for the Company, and for the period from December 27, 2003 through May 3, 2004 for the Predecessor, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

March 10, 2006

COMMUNICATIONS SUPPLY HOLDINGS, INC. & SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 30, 2005	December 31, 2004
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,963	$ 2,219
Accounts receivable, net of allowance of $1,746 in 2005 and $1,979 in 2004	72,335	70,136
Inventory	59,667	46,834
Deferred income taxes	5,034	6,065
Prepaid expenses and other assets	9,302	8,271
Total current assets	150,301	133,525
Property and equipment, net	5,187	4,501
Intangible assets, net	37,540	
Goodwill	95,249	119,945
Deferred financing costs, net of accumulated amortization of $761 in 2005 and $303 in 2004	2,515	2,956
Other assets	376	764
	$ 291,168	$ 261,691
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 31,885	$ 29,713
Accrued expenses	15,712	12,457
Current portion of long-term debt	1,494	2,906
Total current liabilities	49,091	45,076
Deferred income taxes	19,854	3,571
Long-term debt, less current portion	77,841	76,186
Senior subordinated notes	41,077	40,264
Stockholders equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, 804,459 and 801,288 shares issued and outstanding in 2005 and 2004, respectively	8	8
Common stock, $0.01 par value, 15,000,000 shares authorized, 9,012,500 and 9,000,990 shares issued and outstanding in 2005 and 2004, respectively	90	90
Additional paid-in capital	90,787	90,435
Notes receivable from stockholders	(518)	(525)
Accumulated other comprehensive loss	117	(217)
Retained earnings	12,821	6,803

	103,305	96,594
	$ 291,168	$ 261,691

See accompanying notes.

COMMUNICATIONS SUPPLY HOLDINGS, INC. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor		Predecessor
	Year Ended December 30, 2005	Period from May 4, 2004 through December 31, 2004	Period from December 27, 2003 through May 3, 2004
	(Dollars in thousands)		
Net sales	$ 430,671	$ 272,431	$ 119,878
Cost of sales	326,526	205,475	90,604
Gross profit	104,145	66,956	29,274
Selling, general and administrative expenses	72,184	45,793	21,274
Depreciation and amortization	9,007	1,587	692
Merger transaction expenses			7,186
Income from operations	22,954	19,576	122
Interest expense, net	12,254	7,773	4,944
Income (loss) before provision for income taxes	10,700	11,803	(4,822)
Provision for (benefit from) income taxes	4,682	5,000	(1,679)
Net income (loss)	$ 6,018	$ 6,803	(3,143)

See accompanying notes.

COMMUNICATIONS SUPPLY HOLDINGS, INC. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Successor				Predecessor					Notes	
% Redeemable referred Stock		Common Stock		8% Redeemable Preferred Stock		Common Stock		Additional Paid-In	Receivable from	Retained
hares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Stockholders	Earnings
(Dollars in thousands)										
	$		$	20,000	$ 3,120	15,808,427	$ 36,409	$	$ (529)	$ 36,823
					53					(53)
									2	
							463			
										(3,143)
				20,000	3,173	15,808,427	36,872		(527)	33,627
801,063	8	8,998,490	90	(20,000)	(3,173)	(15,808,427)	(36,872)	89,007	27	(33,627)
								1,403		
225		2,500						25	(25)	
										6,803
										6,803
801,288	8	9,000,990	90					90,435	(525)	6,803
3,441		14,540						382		
(270)		(3,030)						(30)		

											7		
													6,018
													6,018
804,459	$	8	9,012,500	$	90	$	$	$	90,787	$	(518)	$	12,821

See accompanying notes.

COMMUNICATIONS SUPPLY HOLDINGS, INC. & SUBSIDIARY

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