

DIGITAL POWER CORP

Form S-3

January 31, 2017

As filed with the Securities and Exchange Commission on January 31, 2017

Registration No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DIGITAL POWER CORPORATION

(Exact name of registrant as specified in its charter)

California

94-1721931

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

48430 Lakeview Blvd.

Fremont, CA 94538-3158

(510) 657-2635

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Amos Kohn

Chief Executive Officer

Digital Power Corporation

48430 Lakeview Blvd.

Fremont, CA 94538-3158

(510) 657-2635

(Name, address including zip code, and telephone number, including area code, of agent for service)

With copies to:

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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Non-accelerated filer

Large accelerated filer Accelerated filer (do not check if smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered <small>(1)(2)(3)</small>	Proposed maximum offering price per Unit <small>(3)</small>	Aggregate maximum offering price <small>(3)(4)(5)</small>	Amount of registration fee <small>(3)</small>
Common Stock, no par value per share				
Warrants				
Units ⁽⁶⁾				
Total	\$5,000,000.00		\$5,000,000.00	\$579.50

(1) Also includes an indeterminate aggregate principal amount and number of securities of each identified class of securities up to a proposed aggregate offering price of \$5,000,000.00, which may be offered by the registrant from time to time in unspecified numbers and at indeterminate prices, and as may be issued upon the exercise of any securities registered hereunder, including under any applicable anti-dilution provisions. Except as provided in

Rule 426(b) under Securities Act of 1933, in no event will the aggregate offering price of all types of securities issued by the Registrant pursuant to this registration statement exceed \$5,000,000.00.

- (2) Pursuant to Rule 416 under the Securities Act of 1933, this registration statement also covers any additional securities that may be offered or issued in connection with any stock split, stock dividend or similar transaction. Pursuant to General Instruction II.C. of Form S-3, the table lists each of the classes of securities being registered
- (3) and the aggregate proceeds to be raised, but does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit, and proposed maximum aggregate offering price.
- (4) The proposed maximum aggregate offering price has been estimated solely to calculate the registration fee in accordance with Rule 457(o) under the Securities Act of 1933.
- (5) Includes consideration to be received by the Registrant, if applicable, for registered securities that are issuable upon exercise, conversion or exchange of other registered securities.
- (6) Consisting of some or all of the securities listed above, in any combination, including shares of common stock, warrants and Units consisting of share of common stock, and warrants securities or a combination thereof.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 31, 2017

PRELIMINARY PROSPECTUS

Digital Power Corporation

\$5,000,000.00

Common Stock

Warrants

Units

From time to time, we may offer up to \$5,000,000.00 of our common stock, warrants to purchase common stock, and/or units consisting of common stock, and warrants or any combination of these securities, in one or more transactions.

We will provide specific terms of these offerings and securities in one or more supplements to this prospectus. We may also authorize one or more free writing prospectuses to be provided to you in connection with these offerings. The prospectus supplement, and any documents incorporated by reference, may also add, update or change information contained in this prospectus. You should read this prospectus, the applicable prospectus supplement, any documents incorporated by reference and any related free writing prospectus carefully before buying any of the securities being offered.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis.

Our common stock is listed on the NYSE MKT under the symbol “DPW.” The applicable prospectus supplement will contain information, where applicable, as to any other listing, if any, of the securities covered by the applicable prospectus supplement. The aggregate market value of our outstanding common stock held by non-affiliates was approximately \$3,137,982 based on 7,985,329 shares of outstanding common stock, of which 2,755,359 shares are held by affiliates, and a price of \$0.60 per share, which was the last reported sale price of our common stock as quoted on NYSE MKT on January 26, 2017. We have not offered any securities pursuant to General Instruction I.B.6 of Form S-3 during the prior 12 calendar month period that ends on, and includes, the date of this prospectus.

INVESTING IN OUR SECURITIES INVOLVES RISKS. YOU SHOULD REVIEW CAREFULLY THE RISKS AND UNCERTAINTIES DESCRIBED UNDER THE HEADING “RISK FACTORS” CONTAINED IN THE APPLICABLE PROSPECTUS SUPPLEMENT AND ANY RELATED FREE WRITING PROSPECTUS, AND UNDER SIMILAR HEADINGS IN THE OTHER DOCUMENTS THAT ARE INCORPORATED BY REFERENCE INTO THIS PROSPECTUS.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is January __, 2017.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission (the “SEC” or the “Commission”) using a “shelf” registration or continuous offering process.

You should read this prospectus and the information and documents incorporated by reference carefully. Such documents contain important information you should consider when making your investment decision. See “Where You Can Find More Information” and “Incorporation of Documents by Reference” in this prospectus.

This prospectus may be supplemented from time to time to add, to update or change information in this prospectus. Any statement contained in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in such prospectus supplement modifies or supersedes such statement. Any statement so modified will be deemed to constitute a part of this prospectus only as so modified, and any statement so superseded will be deemed not to constitute a part of this prospectus. You should rely only on the information contained or incorporated by reference in this prospectus, any applicable prospectus supplement or any related free writing prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus. This prospectus is not an offer to sell securities, and it is not soliciting an offer to buy securities, in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any prospectus supplement, as well as information we have filed with the SEC that is incorporated by reference, is accurate as of the date on the front of those documents only, regardless of the time of delivery of this prospectus or any applicable prospectus supplement, or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under “Where You Can Find More Information.”

Unless otherwise stated or the context requires otherwise, references to “Digital Power”, the “Company,” “we,” “us” or “our” are to Digital Power Corporation, and its wholly-owned subsidiary.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in it contain forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 and the Securities Exchange Act of 1934. All statements other than statements of historical facts are statements that could be deemed forward-looking statements. These statements are based on our expectations, beliefs, forecasts, intentions and future strategies and are signified by the words "expects," "anticipates," "intends," "believes" or similar language. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict, including those identified above, under "Risk Factors" and elsewhere in this report. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. All forward-looking statements included in this prospectus are based on information available to us on the date of this report and speak only as of the date hereof.

The Company disclaims any current intention to update its "forward looking statements," and the estimates and assumptions within them, at any time or for any reason. In particular, the following factors, among others, could cause actual results to differ materially from those described in the "forward looking statements": (a) the possibility of operating and net losses in the future; (b) dependency on Advice Electronics Ltd to design and manufacture products; (c) dependency on our ability, and the ability of our contract manufacturers, to timely procure electronic components; (d) the potential ineffectiveness of the Company's strategic focus on power supply solution competencies; (e) dependency on developer partners for the development of some of our custom design products; (f) dependency on sales of our legacy products for a meaningful portion of our revenues; (g) the possible failure of the Company's custom product development efforts to result in products which meet customers' needs or such customers' failure to accept such new products; (h) the ability of the Company to attract, retain and motivate key personnel; (i) dependence on a few major customers; (j) dependence on the electronic equipment industry; (k) reliance on third party subcontract manufacturers to manufacture certain aspects of the products sold by the Company; (l) reduced profitability as a result of increased competition, price erosion and product obsolescence within the industry; (m) the ability of the Company to establish, maintain and expand its OEM relationships and other distribution channels; (n) the inability of the Company to procure necessary key components for its products, or the purchase of excess or the wrong inventory; (o) variations in operating results from quarter to quarter; (p) dependence on international sales and the impact of certain governmental regulatory restrictions on such international sales and operations; and other risk factors included in the Company's most recent filings with the Securities and Exchange Commission, including, but not limited to, the Company's Forms 10-K, 10-Q and 8-K. All filings are also available on the Company's website at www.digipwr.com.

ABOUT THE COMPANY

Company Overview

We are a solution-driven organization that designs, develops, manufactures and sells high-grade customized and flexible power system solutions for the most demanding applications in the medical, military, telecom and industrial markets. We are highly focused on high-grade and custom product designs for the commercial, medical and military/defense markets, where customers demand high density, high efficiency and ruggedized products to meet the harshest and/or military mission critical operating conditions. We are a California corporation originally formed in 1969, and our common stock is listed with and trades on the NYSE MKT under the symbol "DPW". Our corporate headquarters are located in Fremont, CA, the heart of the Silicon Valley.

We have a wholly-owned UK-based subsidiary, Digital Power Limited ("DPL"), located in Salisbury, England, which operates under the brand name of "Gresham Power Electronics" ("Gresham"). DPL designs, manufactures and sells power products and system solutions mainly for the European marketplace, including power conversion, power distribution equipment, DC/AC (Direct Current/Active Current) inverters and UPS (Uninterrupted Power Supply) products. Our European defense business is specialized in the field of naval power distribution products.

We believe that we are one of the first companies in the power solutions industry to introduce a product strategy based on the premise that products developed with an extremely flexible architecture enable rapid modifications to meet unique customer requirements for non-standard output voltages. The development and implementation of this strategy has resulted in broad acceptance in the telecom/industrial, and increasingly in the medical market segments for our new line of high density and high efficiency power products. These products set an industry standard for providing high-power output in package sizes that are among the smallest available for such commercial products.

We market and sell our products to many diverse market segments, including the telecom, industrial, medical and military/defense industries. Our products serve a global market, with an emphasis on North America and Europe. We offer a broad product variety, including a full custom product design, standard and modified-standard products. Our unique high-speed switching power rectifiers includes but are not limited to custom power products, front-end, open-frame, enclosed, Compact PCI, MicroTCA, PoE (Power over Ethernet) and other product solutions, providing power output from 50 to 24,000 watts.

In an effort to provide short lead-times, high quality products and competitive pricing to support our markets, we have entered into production agreements with several contract manufacturers located in Asia, primarily in China. These agreements allow us to better control production costs and ensure high quality products deliverable in a timely manner to meet market demand.

We intend to remain an innovative leader in the development of cutting-edge custom power solutions and feature rich products to meet any customer needs and requirements, rugged power systems to meet harsh and extreme operation environmental requirements, and high performance, high efficiency, high-density and modular power systems. We are currently focused on developing even more high-grade custom power system solutions for numerous customers in a broadly diversified range of markets and challenging environments. Each product development is based on best of class performance criteria, including unique, advanced feature sets and a special layout to meet our customers' unique operating conditions where efficiency, size and time to market are key to their success.

Our corporate name is Digital Power Corporation for both legal and commercial purposes. We are located at 48430 Lakeview Blvd., Fremont, California, 94538-3158 (telephone number (510) 657-2635). Our website address is www.digipwr.com. The information on our website does not constitute part of this prospectus.

RISK FACTORS

An investment in our securities is speculative and involves a high degree of risk. Our business, financial condition or results of operations could be adversely affected by any of these risks. You should carefully consider the following factors as well as the other information contained in this prospectus, in any supplement to this prospectus and in the other reports that we file with the SEC and that we incorporate by reference into this prospectus, before deciding to invest in our securities. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. Past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods. If any of these risks actually occurs, our business, business prospects, financial condition or results of operations could be seriously harmed. This could cause the trading price of our shares of common stock to decline, resulting in a loss of all or part of your investment. Please also read carefully the section below entitled "Forward-Looking Statements."

We generated an operating and net loss during the nine months ended September 30, 2016 and for the year ended December 31, 2015. We have historically experienced operating and net losses, and we may experience such losses in the future.

For the nine months ended September 30, 2016, we had an operating loss of \$272,000 and a net loss of \$165,000 and for the year ended December 31, 2015, we had an operating loss of \$1,003,000 and a net loss of \$1,096,000. Although we have actively taken steps to increase our revenue and reduce manufacturing and operating costs, we anticipate incurring operating and net losses in the future unless we increase revenues by selling current and custom design products and continue seeking manufacturing cost reductions through contract manufacturers.

If we do not satisfy the NYSE requirements for continued listing or are unable to fulfil our compliance plan, our common stock could be delisted from NYSE.

The listing of our common stock on the NYSE MKT is contingent on our compliance with the NYSE MKT's conditions for continued listing. On December 18, 2015, we were notified by the NYSE MKT that we were no longer in compliance with the NYSE MKT continued listing standards because our last reported stockholders' equity was below continued listing standards. The NYSE MKT requires that a listed company's stockholders' equity be \$4.0 million or more if it has reported losses from continuing operations and/or net losses in three of its four most recent fiscal years. The NYSE MKT has indicated that we may be required to attain stockholders' equity of \$6.0 million or more if we experience a loss for the year ended December 31, 2016.

Following submission of our compliance plan demonstrating how we intend to regain compliance with the continued listing standards, we were notified on March 9, 2016 that the NYSE MKT granted us a listing extension on the basis of our plan until June 19, 2017. We are subject to periodic review by NYSE MKT staff during the extension period. Failure to make progress consistent with the plan or to regain compliance with the continued listing standards by the end of the extension period could result in our common stock being delisted from the NYSE MKT.

There is no assurance that we will be able to regain compliance with the abovementioned standard or any other applicable NYSE MKT continued listing standard. Upon such an occurrence, trading of our common stock will be suspended by the NYSE MKT and we may be delisted by the NYSE MKT. In the event our common stock is no longer listed for trading on the NYSE MKT, our trading volume and share price may decrease and we may experience further difficulties in raising capital which could materially affect our operations and financial results.

We Will Need to Raise Additional Capital to Increase our Stockholders' Equity and to Fund our Operations in Furtherance of Our Business Plan.

We will need to quickly raise additional capital in order to increase our stockholders' equity in order to meet the NYSE MKT continued listing standards and to fund our operations in furtherance of our business plan. The proposed financing may include shares of common stock, warrants to purchase shares of common stock, or units consisting of the forgoing securities, equity investments from strategic development partners or some combination of each. Any additional equity financings may be financially dilutive to, and will be dilutive from an ownership perspective to our stockholders, and such dilution may be significant based upon the size of such financing. Additionally, we cannot assure that such funding will be available on a timely basis, in needed quantities, or on terms favorable to us, if at all.

A Principal Stockholder Has Significant Influence Over Us.

Per its filings with the SEC, Philou Ventures, LLC own approximately 40.09% of our current outstanding common stock. As a result, they will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of directors, any merger, consolidation or sale of all or substantially all of the combined company's assets, and any other significant corporate transaction. Their interests may not always coincide with those of our other stockholders.

The Resale of the Shares and Warrant Shares, Assuming Their Exercise, by the Selling Stockholders May Adversely Affect the Price for our Common Stock.

Our shares of common stock are thinly traded. Therefore, the resale of a large number of Shares and Warrants Shares by the Selling Stockholders may adversely affect the market price of our common stock.

We depend on Advice Electronics Ltd. ("Advice") to maintain the technology used to manufacture our products and to manufacture some of our products. We also depend on the right to manufacture certain products subject to royalty payments with Advice.

In January 2016, Telkooor Telecom Ltd. ("Telkooor"), a prior affiliate, sold its entire commercial assets to Advice which included without limitation product IP, manufacturing rights, customer base, inventory, staff and technological capabilities. Following such transaction, we entered into a manufacturing and distribution agreement with Advice. This agreement allows us to manufacture certain Advice products (formerly owned by Telkooor) through August 2017 against royalty payments. From August 2017 through December 2020, subject to Advice's consent, we will be allowed to continue distributing and selling certain Advice products while keeping product branding under our brand, after which we will be entitled to distribute the products under DPC branding until December 2020.

We depend on Advice to design and retain product technology up to date and for manufacturing capabilities for certain of the products that we sell. If Advice is unable or unwilling to continue designing or manufacturing our products in required volumes and with a certain level of quality on a timely basis, that could lead to loss of sales and adversely affect our operating results and cash position. We also depend on Advice's intellectual property and ability to transfer production to third party manufacturers. Failure to obtain new products in a timely manner or delay in delivery of products to customers will have an adverse effect on our ability to meet our customers' expectations. In addition, we operate in highly competitive markets where our ability to sell Advice's products could be adversely affected by Advice's agreements with third parties, long lead-times and the high cost of Advice's products. Also, in 2012, Telkooor's products manufacturing lead-times increased, which hindered our ability to respond to our customers' needs in timely manner. Advice's principal offices, research and development and manufacturing facilities are located

in Israel. Political, economic, and military conditions in Israel directly affect Advice operations. We are also dependent upon Advice's terms and conditions with its contract manufacturers for some of our products, which terms and conditions may not always be in our best interest. In 2010, we purchased certain IP from Telkoo in order to reduce our dependency on Telkoo with respect to a certain line of products. We also entered into a Manufacturing Rights Agreement with Advice in 2016, pursuant to which we were granted the non-exclusive right to directly place purchase orders for certain products from a third party manufacturer in consideration for payment of royalties to Advice. This agreement currently accounts for a significant portion of our sales. In the event this agreement is terminated for any reason, it would materially affect our profitability and cash position.

We are dependent upon our ability, and our contract manufacturers' ability, to timely procure electronic components.

Because of the global economy, many raw material vendors have reduced capacities, closed production lines and, in some cases, even discontinued their operations. As a result, there is a global shortage of certain electronic components, which has extended our production lead-time and our production costs. Some materials are no longer available to support some of our products, thereby requiring us to search for cross materials or, even worse, redesign some of our products to support currently-available materials. Such redesign efforts may require certain regulatory and safety agency re-submittals, which may cause further production delays. While we have initiated actions that we believe will limit our exposure to such problems, the dynamic business conditions in many of our markets may challenge the solutions that have been put in place, and issues may recur in the future.

In addition, some of our products are manufactured, assembled and tested by third party subcontractors and contract manufacturers located in Asia. While we have had relationships with many of these third parties in the past, we cannot predict how or whether these relationships will continue in the future. In addition, changes in management, financial viability, manufacturing demand or capacity, or other factors, at these third parties could hurt our ability to manufacture our products.

Our strategic focus on our custom power supply solution competencies and concurrent cost reduction plans may be ineffective or may limit our ability to compete.

As a result of our strategic focus on custom power supply solutions, we will continue to devote significant resources to developing and manufacturing custom power supply solutions for a large number of customers, where each product represents a uniquely tailored solution for a specific customer's requirements. Failure to meet these customer product requirements or a failure to meet production schedules and/or product quality standards may put us at risk with one or more of these customers. Moreover, changes in market conditions and strategic changes at the direction of our customers may affect their decision to continue to purchase from us. The loss of one or more of our significant custom power supply solution customers could have a material adverse impact on our revenues, business or financial condition.

We have also implemented a series of initiatives designed to increase efficiency and reduce costs. While we believe that these actions will reduce costs, they may not be sufficient to achieve the required operational efficiencies that will enable us to respond more quickly to changes in the market or result in the improvements in our business that we anticipate. In such event, we may be forced to take additional cost-reducing initiatives, including those involving our personnel, which may negatively impact quarterly earnings and profitability as we account for severance and other related costs. In addition, there is the risk that such measures could have long-term adverse effects on our business by reducing our pool of talent, decreasing or slowing improvements in our products or services, making it more difficult for us to respond to customers, limiting our ability to increase production quickly if and when the demand for our

solutions increases and limiting our ability to hire and retain key personnel. These circumstances could cause our earnings to be lower than they otherwise might be.

We are dependent upon our ability to attract, retain and motivate our key personnel.

Our success depends on our ability to attract, retain and motivate our key management personnel, including, but not limited to, our President and CEO, our V.P. of Finance, marketing and sales personnel, and key engineers necessary to implement our business plan and to grow our business. Competition for certain specific technical and management skill sets is intense. If we are unable to identify and hire the personnel that we need to succeed, or if one or more of our present key employees were to cease to be associated with us, our future results could be adversely affected.

We depend upon a few major customers for a majority of our revenues, and the loss of any of these customers, or the substantial reduction in the quantity of products that they purchase from us, would significantly reduce our revenues and net income.

We currently depend upon a few major OEMs and other customers for a significant portion of our revenues. If our major OEM customers will reduce or cancel their orders scaling back some of their activities, our revenues and net income would be significantly reduced. Furthermore, diversions in the capital spending of certain of these customers to new network elements have and could continue to lead to their reduced demand for our products, which could, in turn, have a material adverse effect on our business and results of operations. If the financial condition of one or more of our major customers should deteriorate, or if they have difficulty acquiring investment capital due to any of these or other factors, a substantial decrease in our revenues would likely result.

We are dependent on the electronic equipment industry, and accordingly will be affected by the impact on that industry of current economic conditions.

Substantially all of our existing customers are in the electronic equipment industry, and they manufacture products that are subject to rapid technological change, obsolescence, and large fluctuations in demand. This industry is further characterized by intense competition and volatility. The OEMs serving this industry are pressured for increased product performance and lower product prices. OEMs, in turn, make similar demands on their suppliers, such as us, for increased product performance and lower prices. Such demands may adversely affect our ability to successfully compete in certain markets or our ability to sustain our gross margins.

Our reliance on subcontract manufacturers to manufacture certain aspects of our products involves risks, including delays in product shipments and reduced control over product quality.

Since we do not own significant manufacturing facilities, we must rely on, and will continue to rely on, a limited number of subcontract manufacturers to manufacture our power supply products. Our reliance upon such subcontract manufacturers involves several risks, including reduced control over manufacturing costs, delivery times, reliability and quality of components, unfavorable currency exchange fluctuations, and continued inflationary pressures on many of the raw materials used in the manufacturing of our power supply products. If we were to encounter a shortage of key manufacturing components from limited sources of supply, or experience manufacturing delays caused by reduced manufacturing capacity, inability of our subcontract manufacturers to procure raw materials, the loss of key assembly subcontractors, difficulties associated with the transition to our new subcontract manufacturers or other factors, we could experience lost revenues, increased costs, and delays in, or cancellations or rescheduling of, orders or shipments, any of which would materially harm our business.

We outsource, and are dependent upon developer partners for, the development of some of our custom design products.

We made an operational decision to outsource some of our custom design products to numerous developer partners. This business structure will remain in place until the custom design volume justifies expanding our in house capabilities. Incomplete product designs that do not fully comply with the customer specifications and requirements might affect our ability to transition to a volume production stage of the custom designed product where the revenue goals are dependent on the high volume of custom product production. Furthermore, we rely on the design partners' ability to provide high quality prototypes of the designed product for our customer approval as a critical stage to approve production.

We face intense industry competition, price erosion and product obsolescence, which, in turn, could reduce our profitability.

We operate in an industry that is generally characterized by intense competition. We believe that the principal bases of competition in our markets are breadth of product line, quality of products, stability, reliability and reputation of the provider, along with cost. Quantity discounts, price erosion, and rapid product obsolescence due to technological improvements are therefore common in our industry as competitors strive to retain or expand market share. Product obsolescence can lead to increases in unsaleable inventory that may need to be written off and, therefore, could reduce our profitability. Similarly, price erosion can reduce our profitability by decreasing our revenues and our gross margins. In fact, we have seen price erosion over the last several years on most of the products we sell, and we expect additional price erosion in the future.

Our future results are dependent on our ability to establish, maintain and expand our manufacturers' representative OEM relationships and our other relationships.

We market and sell our products through domestic and international OEM relationships and other distribution channels, such as manufacturers' representatives and distributors. Our future results are dependent on our ability to establish, maintain and expand our relationships with OEMs as well as with manufacturers' representatives and distributors to sell our products. If, however, the third parties with whom we have entered into such OEM and other arrangements should fail to meet their contractual obligations, cease doing, or reduce the amount of their, business with us or otherwise fail to meet their own performance objectives, customer demand for our products could be adversely affected, which would have an adverse effect on our revenues.

We may not be able to procure necessary key components for our products, or we may purchase too much inventory or the wrong inventory.

The power supply industry, and the electronics industry as a whole, can be subject to business cycles. During periods of growth and high demand for our products, we may not have adequate supplies of inventory on hand to satisfy our customers' needs. Furthermore, during these periods of growth, our suppliers may also experience high demand and, therefore, may not have adequate levels of the components and other materials that we require to build products so that we can meet our customers' needs. Our inability to secure sufficient components to build products for our customers could negatively impact our sales and operating results. We may choose to mitigate this risk by increasing the levels of inventory for certain key components. Increased inventory levels can increase the potential risk for excess and obsolescence should our forecasts fail to materialize or if there are negative factors impacting our customers' end markets. If we purchase too much inventory or the wrong inventory, we may have to record additional inventory reserves or write-off the inventory, which could have a material adverse effect on our gross margins and on our results of operations.

Although we depend on sales of our legacy products for a meaningful portion of our revenues, these products are mature and their sales will decline.

A relatively large portion of our sales have historically been attributable to our legacy products. We expect that these products may continue to account for a meaningful percentage of our revenues for the foreseeable future. However, these sales are declining. Although we are unable to predict future prices for our legacy products, we expect that prices for these products will continue to be subject to significant downward pressure in certain markets for the reasons described above. Accordingly, our ability to maintain or increase revenues will be dependent on our ability to expand our customer base, to increase unit sales volumes of these products and to successfully, develop, introduce and sell new products such as custom design and value added products. We cannot assure you that we will be able to expand our customer base, increase unit sales volumes of existing products or develop, introduce and/or sell new products.

Our operating results may vary from quarter to quarter.

Our operating results have in the past been subject to quarter-to-quarter fluctuations, and we expect that these fluctuations will continue, and may increase in magnitude, in future periods. Demand for our products is driven by many factors, including the availability of funding for our products in our customers' capital budgets. There is a trend for some of our customers to place large orders near the end of a quarter or fiscal year, in part to spend remaining available capital budget funds. Seasonal fluctuations in customer demand for our products driven by budgetary and other concerns can create corresponding fluctuations in period-to-period revenues, and we therefore cannot assure you that our results in one period are necessarily indicative of our revenues in any future period. In addition, the number and timing of large individual sales and the ability to obtain acceptances of those sales, where applicable, have been

difficult for us to predict, and large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or deferral of one or more significant sales in a quarter could harm our operating results for such quarter. It is possible that, in some quarters, our operating results will be below the expectations of public market analysts or investors. In such events, or in the event adverse conditions prevail, the market price of our common stock may decline significantly.

Failure of our information technology infrastructure to operate effectively could adversely affect our business.

We depend heavily on information technology infrastructure to achieve our business objectives. If a problem occurs that impairs this infrastructure, the resulting disruption could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on business in the normal course. Any such events could cause us to lose customers or revenue and could require us to incur significant expense to remediate.

We are subject to certain governmental regulatory restrictions relating to our international sales.

Some of our products are subject to International Traffic In Arms Regulation (“ITAR”), which are interpreted, enforced and administered by the U.S. Department of State. ITAR regulation controls not only the export, import and trade of certain products specifically designed, modified, configured or adapted for military systems, but also the export of related technical data and defense services as well as foreign production. Any delays in obtaining the required export, import or trade licenses for products subject to ITAR regulation and rules could have a material adverse effect on our business, financial condition, and/or operating results. In addition, changes in United States export and import laws that require us to obtain additional export and import licenses or delays in obtaining export or import licenses currently being sought could cause significant shipment delays and, if such delays are too great, could result in the cancellation of orders. Any future restrictions or charges imposed by the United States or any other country on our international sales or foreign subsidiary could have a materially adverse effect on our business, financial condition, and/or operating results. In addition, from time to time, we have entered into contracts with the Israeli Ministry of Defense which were governed by the U.S. Foreign Military Financing program (“FMF”). Any such future sales would be subject to these regulations. Failure to comply with ITAR or FMF rules could have a material adverse effect on our financial condition, and/or operating results.

We depend on international operations for a substantial majority of our components and products.

We purchase a substantial majority of our components from foreign manufacturers and have a substantial majority of our commercial products assembled, packaged, and tested by subcontractors located outside the United States. These activities are subject to the uncertainties associated with international business operations, including trade barriers and other restrictions, changes in trade policies, governmental regulations, currency exchange fluctuations, reduced protection for intellectual property, war and other military activities, terrorism, changes in social, political, or economic conditions, and other disruptions or delays in production or shipments, any of which could have a materially adverse effect on our business, financial condition, and/or operating results.

We depend on international sales for a portion of our revenues.

Sales to customers outside of North America accounted for 43% of net revenues in the first nine months of 2016 and 58.1% of net revenues for the year ended December 31, 2015, and we expect that international sales will continue to represent a material portion of our total revenues. International sales are subject to the risks of international business operations as described above, as well as generally longer payment cycles, greater difficulty collecting accounts receivable, and currency restrictions. In addition, DPL, our wholly-owned subsidiary in the United Kingdom, supports our European and other international customers, distributors, and sales representatives, and therefore is also subject to local regulation. International sales are also subject to the export laws and regulations of the United States and other countries.

If our accounting controls and procedures are circumvented or otherwise fail to achieve their intended purposes, our business could be seriously harmed.

We evaluate our disclosure controls and procedures as of the end of each fiscal quarter, and are annually reviewing and evaluating our internal control over financial reporting in order to comply with Securities and Exchange Commission rules relating to internal control over financial reporting adopted pursuant to the Sarbanes-Oxley Act of 2002. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain effective internal control over financial reporting or our management does not timely assess the adequacy of such internal control, we may be subject to regulatory sanctions, and our reputation may decline.

The sale of our products is dependent upon our ability to satisfy the proprietary requirements of our customers.

We depend upon a relatively narrow range of products for the majority of our revenue. Our success in marketing our products is dependent upon their continued acceptance by our customers. In some cases, our customers require that our products meet their own proprietary requirements. If we are unable to satisfy such requirements, or forecast and adapt to changes in such requirements, our business could be materially harmed.

The sale of our products is dependent on our ability to respond to rapid technological change, including evolving industry-wide standards, and may be adversely affected by the development, and acceptance by our customers, of new technologies which may compete with, or reduce the demand for, our products.

Rapid technological change, including evolving industry standards, could render our products obsolete. To the extent our customers adopt such new technology in place of our products, the sales of our products may be adversely affected. Such competition may also increase pricing pressure for our products and adversely affect the revenues from such products.

Our limited ability to protect our proprietary information and technology may adversely affect our ability to compete, and our products could infringe upon the intellectual property rights of others, resulting in claims against us, the results of which could be costly.

Many of our products consist entirely or partly of proprietary technology owned by us. Although we seek to protect our technology through a combination of copyrights, trade secret laws and contractual obligations, these protections may not be sufficient to prevent the wrongful appropriation of our intellectual property, nor will they prevent our competitors from independently developing technologies that are substantially equivalent or superior to our proprietary technology. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States. In order to defend our proprietary rights in the technology utilized in our products from third party infringement, we may be required to institute legal proceedings, which would be costly and would divert our resources from the development of our business. If we are unable to successfully assert and defend our proprietary rights in the technology utilized in our products, our future results could be adversely affected.

Although we attempt to avoid infringing known proprietary rights of third parties in our product development efforts, we may become subject to legal proceedings and claims for alleged infringement from time to time in the ordinary course of business. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, require us to reengineer or cease sales of our products or require us to enter into royalty or license agreements which are not advantageous to us. In addition, parties making claims may be able to obtain an injunction, which could prevent us from selling our products in the United States or abroad.

If we are unable to satisfy our customers' specific product quality, certification or network requirements, our business could be disrupted and our financial condition could be harmed.

Our customers demand that our products meet stringent quality, performance and reliability standards. We have, from time to time, experienced problems in satisfying such standards. Defects or failures have occurred in the past, and may

in the future occur, relating to our product quality, performance and reliability. From time to time, our customers also require us to implement specific changes to our products to allow these products to operate within their specific network configurations. If we are unable to remedy these failures or defects or if we cannot effect such required product modifications, we could experience lost revenues, increased costs, including inventory write-offs, warranty expense and costs associated with customer support, delays in, or cancellations or rescheduling of, orders or shipments and product returns or discounts, any of which would harm our business.

If we ship products that contain defects, the market acceptance of our products and our reputation will be harmed and our customers could seek to recover their damages from us.

Our products are complex, and despite extensive testing, may contain defects or undetected errors or failures that may become apparent only after our products have been shipped to our customers and installed in their network or after product features or new versions are released. Any such defect, error or failure could result in failure of market acceptance of our products or damage to our reputation or relations with our customers, resulting in substantial costs for us and our customers as well as the cancellation of orders, warranty costs and product returns. In addition, any defects, errors, misuse of our products or other potential problems within or out of our control that may arise from the use of our products could result in financial or other damages to our customers. Our customers could seek to have us pay for these losses. Although we maintain product liability insurance, it may not be adequate.

Our common stock price is volatile.

Our common stock is listed on the NYSE MKT. In the past, our trading price has fluctuated widely, depending on many factors that may have little to do with our operations or business prospects. The exercise of outstanding options and warrants may adversely affect our stock price and a shareholder's percentage of ownership. As of December 31, 2016, we had outstanding options to purchase an aggregate of 1,466,000 shares of common stock, with a weighted average exercise price of \$0.90 per share, exercisable at prices ranging from \$0.65 to \$1.69 per share and warrants to purchase up 1,431,666 shares of common stock at exercise prices ranging from \$0.80 to \$0.90 per share.

USE OF PROCEEDS

Unless otherwise indicated in the applicable prospectus supplement, information incorporated by reference or free writing prospectus, we intend to use the net proceeds from the sale of securities to fund our growth plans, for working capital, and for other general corporate purposes, including capital expenditures related to our growth. We may also use a portion of the net proceeds to acquire or invest in businesses whom, from time to time, we engage and explore the possibility of strategic partnering or investment.

PLAN OF DISTRIBUTION

We may sell the securities offered by this prospectus from time to time in one or more transactions, including, without limitation:

through agents;

to or through underwriters;

through broker-dealers (acting as agent or principal);

directly by us to purchasers (including our affiliates and shareholders), through a specific bidding or auction process, a rights offering or otherwise;

through a combination of any such methods of sale; or

through any other methods described in a prospectus supplement.

The distribution of securities may be effected, from time to time, in one or more transactions, including:

block transactions (which may involve crosses) and transactions on the Nasdaq Capital Market or any other organized market where the securities may be traded;

purchases by a broker-dealer as principal and resale by the broker-dealer for its own account pursuant to a prospectus supplement;

ordinary brokerage transactions and transactions in which a broker-dealer solicits purchasers;

sales “at the market” to or through a market maker or into an existing trading market, on an exchange or otherwise; and

sales in other ways not involving market makers or established trading markets, including direct sales to purchasers.

The securities may be sold at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices relating to the prevailing market prices or at negotiated prices. The consideration may be cash, forgiveness of debt, or another form negotiated by the parties. Agents, underwriters or broker-dealers may be paid compensation for offering and selling the securities. That compensation may be in the form of discounts, concessions or commissions to be received from us or from the purchasers of the securities. Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and compensation received by them on resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. If such dealers or agents were deemed to be underwriters, they may be subject to statutory liabilities under the Securities Act.

We may also make direct sales through subscription rights distributed to our existing shareholders on a pro rata basis, which may or may not be transferable. In any distribution of subscription rights to our shareholders, if all of the underlying securities are not subscribed for, we may then sell the unsubscribed securities directly to third parties or may engage the services of one or more underwriters, dealers or agents, including standby underwriters, to sell the unsubscribed securities to third parties.

Some or all of the securities that we offer through this prospectus may be new issues of securities with no established trading market. Any underwriters to whom we sell our securities for public offering and sale may make a market in those securities, but they will not be obligated to do so and they may discontinue any market making at any time without notice. Accordingly, we cannot assure you of the liquidity of, or continued trading markets for, any securities that we offer.

Agents may, from time to time, solicit offers to purchase the securities. If required, we will name in the applicable prospectus supplement, document incorporated by reference or free writing prospectus, as applicable, any agent involved in the offer or sale of the securities and set forth any compensation payable to the agent. Unless otherwise indicated, any agent will be acting on a best efforts basis for the period of its appointment. Any agent selling the securities covered by this prospectus may be deemed to be an underwriter of the securities.

If underwriters are used in an offering, securities will be acquired by the underwriters for their own account and may be resold, from time to time, in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale, or under delayed delivery contracts or other contractual commitments. Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. If an underwriter or underwriters are used in the sale of securities, an underwriting agreement will be executed with the underwriter or underwriters at the time an agreement for the sale is reached. The applicable prospectus supplement will set forth the managing underwriter or underwriters, as well as any other underwriter or underwriters, with respect to a particular underwritten offering of securities, and will set forth the terms of the transactions, including compensation of the underwriters and dealers and the public offering price, if applicable. This prospectus, the applicable prospectus supplement and any applicable free writing prospectus will be used by the underwriters to resell the securities.

If a dealer is used in the sale of the securities, we, or an underwriter, will sell the securities to the dealer, as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale. To the extent required, we will set forth in the prospectus supplement, document incorporated by reference or free writing prospectus, as applicable, the name of the dealer and the terms of the transactions.

We may directly solicit offers to purchase the securities and may make sales of securities directly to institutional investors or others. These persons may be deemed to be underwriters with respect to any resale of the securities. To the extent required, the prospectus supplement, document incorporated by reference or free writing prospectus, as applicable, will describe the terms of any such sales, including the terms of any bidding or auction process, if used.

Agents, underwriters and dealers may be entitled under agreements which may be entered into with us to indemnification by us against specified liabilities, including liabilities incurred under the Securities Act, or to contribution by us to payments they may be required to make in respect of such liabilities. If required, the prospectus supplement, document incorporated by reference or free writing prospectus, as applicable, will describe the terms and conditions of such indemnification or contribution. Some of the agents, underwriters or dealers, or their affiliates may be customers of, engage in transactions with or perform services for us or our subsidiaries or affiliates in the ordinary course of business.

Under the securities laws of some states, the securities offered by this prospectus may be sold in those states only through registered or licensed brokers or dealers.

Any person participating in the distribution of common stock registered under the registration statement that includes this prospectus will be subject to applicable provisions of the Exchange Act, and the applicable SEC rules and regulations, including, among others, Regulation M, which may limit the timing of purchases and sales of any of our common stock by any such person. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution of our common stock to engage in market-making activities with respect to our common stock. These restrictions may affect the marketability of our common stock and the ability of any person or entity to engage in market-making activities with respect to our common stock.

Certain persons participating in an offering may engage in over-allotment, stabilizing transactions, short-covering transactions and penalty bids in accordance with Regulation M under the Exchange Act that stabilize, maintain or otherwise affect the price of the offered securities. If any such activities will occur, they will be described in the applicable prospectus supplement.

In compliance with the guidelines of the Financial Industry Regulatory Authority (“FINRA”), the aggregate maximum discount, commission or agency fees or other items constituting underwriting compensation to be received by any FINRA member or independent broker-dealer will not exceed 8% of any offering pursuant to this prospectus and any applicable prospectus supplement, as the case may be.

If more than 10% of the net proceeds of any offering of securities made under this prospectus will be received by FINRA members participating in the offering or affiliates or associated persons of such FINRA members, the offering will be conducted in accordance with FINRA Conduct Rule 5110(h).

So long as the aggregate market value of our voting and non-voting common equity held by non-affiliates is less than \$75,000,000.00 and so long as required by the rules of the SEC, the amount of securities we may offer hereunder will be limited such that the aggregate market value of securities sold by us during a period of 12 calendar months cannot exceed one-third of the aggregate market value of the voting and non-voting common equity held by non-affiliates.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution.

DESCRIPTION OF SECURITIES WE MAY OFFER

We may offer, from time to time, shares of our common stock, warrants to purchase common stock, or units to purchase shares of common stock, warrants, or a combination of these securities, under this prospectus at prices and on terms to be determined by market conditions at the time of offering. This prospectus provides you with a general description of the securities we may offer. See “Description of Capital Stock,” “Description of Warrants,” and “Description of Units” below. Each time we offer a type or series of securities, we will provide a prospectus supplement that will describe the specific amounts, prices and other important terms of the securities, including, to the extent applicable:

designation or classification;

aggregate principal amount or aggregate offering price;

rates and times of payment of interest or dividends, if any;

redemption, conversion or sinking fund terms,
if any;

voting or other rights, if any;

conversion prices, if any; and

important federal income tax considerations.

The prospectus supplement and any related free writing prospectus also may supplement, or, as applicable, add, update or change information contained in this prospectus or in documents we have incorporated by reference. However, no prospectus supplement or free writing prospectus will offer a security that is not registered and described in this prospectus at the time of the effectiveness of the registration statement of which this prospectus is a part.

The terms of any particular offering, the initial offering price and the net proceeds to us will be contained in the prospectus supplement, information incorporated by reference or free writing prospectus relating to such offering.

DESCRIPTION OF OUR CAPITAL STOCK AND OUTSTANDING SECURITIES

Our authorized capital stock consists of 30,000,000 shares of common stock, no par value, and 1,500,000 shares of preferred stock, no par value, of which 500,000 are designated as Series A preferred stock. As of December 31, 2016, there were 7,985,329 shares of common stock outstanding and no shares of preferred stock outstanding.

Common Stock

Each shareholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of shareholders. Each holder of common stock has the right to cumulate his votes, which means each share shall have the number of votes equal to the number of directors to be elected and all of which votes may be cast for any one nominee. Subject to such preferences as may apply to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the board of directors may from time to time determine. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. Upon the liquidation, dissolution, or winding up of the company, the holders of common stock and any participating preferred stock outstanding at that time would be entitled to share ratably in all assets remaining after the payment of liabilities and the payment of any liquidation preferences with respect to any outstanding preferred stock. Each outstanding share of common stock now is, and all shares of common stock that will be outstanding will be, fully paid and non-assessable.

Preferred Stock

Under the terms of our Amended and Restated Articles of Incorporation, we may issue preferred stock with the rights, preferences and privileges may be established from time to time by our board of directors.

Warrants

We have issued in private placement warrants to purchase:

265,000 shares of common stock at \$0.80 per share which expire on October 20, 2019;
265,000 shares of common stock at \$0.90 per share which expire on October 20, 2019; and
901,666 shares of common stock at \$0.80 per share which expire on November 14, 2019

12% Convertible Secured Note

The 12% Convertible Secured Note is in the principal amount of \$530,000 and was sold for \$500,000, bears interest at 12% simple interest on the principal amount, is secured by all of our assets, and is due on October 20, 2019. Interest only payments are due on a quarterly basis and the principal may be converted into our shares of common stock at \$0.55 per share.

Upon 30 days' notice, we have the right to prepay the 12% Convertible Secured Note. In addition, provided our closing price for a share of common stock exceeds \$3.00 per share for 30 consecutive trading days, we have the right to force the holder thereof to convert the principal amount into shares of common stock at the conversion rate.

DESCRIPTION OF WARRANTS

General

We may issue warrants to purchase common stock. We may issue the warrants independently or together with any underlying securities, and the warrants may be attached or separate from the underlying securities. We may also issue a series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

The following description is a summary of selected provisions relating to the warrants that we may issue. The summary is not complete. When warrants are offered in the future, a prospectus supplement, information incorporated by reference or a free writing prospectus, as applicable, will explain the particular terms of those securities and the extent to which these general provisions may apply. The specific terms of the warrants as described in a prospectus supplement, information incorporated by reference, or free writing prospectus will supplement and, if applicable, may modify or replace the general terms described in this section.

This summary and any description of warrants in the applicable prospectus supplement, information incorporated by reference or free writing prospectus is subject to and is qualified in its entirety by reference to all the provisions of any specific warrant document or agreement. We will file each of these documents, as applicable, with the SEC and incorporate them by reference as an exhibit to the registration statement of which this prospectus is a part on or before the time we issue a series of warrants. See “Where You Can Find Additional Information” and “Incorporation of Information by Reference” above for information on how to obtain a copy of a warrant document when it is filed.

When we refer to a series of warrants, we mean all warrants issued as part of the same series under the applicable warrant agreement.

Terms

The applicable prospectus supplement, information incorporated by reference or free writing prospectus, may describe the terms of any warrants that we may offer, including, but not limited to, the following:

the title of the warrants;

the total number of warrants;

the price or prices at which the warrants will be issued;

the price or prices at which the warrants may be exercised;

the currency or currencies that investors may use to pay for the warrants;

the date on which the right to exercise the warrants will commence and the date on which the right will expire;

whether the warrants will be issued in registered form or bearer form;

information with respect to book-entry procedures, if any;

if applicable, the minimum or maximum amount of warrants that may be exercised at any one time;

if applicable, the designation and terms of the underlying securities with which the warrants are issued and the number of warrants issued with each underlying security;

if applicable, the date on and after which the warrants and the related underlying securities will be separately transferable;

if applicable, a discussion of material United States federal income tax considerations;

if applicable, the terms of redemption of the warrants;

the identity of the warrant agent, if any;

the procedures and conditions relating to the exercise of the warrants; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

Warrant Agreement

We may issue the warrants in one or more series under one or more warrant agreements, each to be entered into between us and a bank, trust company or other financial institution as warrant agent. We may add, replace or terminate warrant agents from time to time. We may also choose to act as our own warrant agent or may choose one of our subsidiaries to do so.

The warrant agent under a warrant agreement will act solely as our agent in connection with the warrants issued under that agreement. Any holder of warrants may, without the consent of any other person, enforce by appropriate legal action, on its own behalf, its right to exercise those warrants in accordance with their terms.

Form, Exchange and Transfer

We may issue the warrants in registered form or bearer form. Warrants issued in registered form, i.e., book-entry form, will be represented by a global security registered in the name of a depository, which will be the holder of all the warrants represented by the global security. Those investors who own beneficial interests in a global warrant will do so through participants in the depository's system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depository and its participants. In addition, we may issue warrants in non-global form, i.e., bearer form. If any warrants are issued in non-global form, warrant certificates may be exchanged for new warrant certificates of different denominations, and holders may exchange, transfer or exercise their warrants at the warrant agent's office or any other office indicated in the applicable prospectus supplement, information incorporated by reference or free writing prospectus.

Prior to the exercise of their warrants, holders of warrants exercisable for shares of common stock will not have any rights of holders of common stock purchasable upon such exercise and will not be entitled to dividend payments, if any, or voting rights of the common stock purchasable upon such exercise.

Exercise of Warrants

A warrant will entitle the holder to purchase for cash an amount of securities at an exercise price that will be stated in, or that will be determinable as described in, the applicable prospectus supplement, information incorporated by reference or free writing prospectus. Warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable offering material. After the close of business on the expiration date, unexercised warrants will become void. Warrants may be redeemed as set forth in the applicable offering material.

Warrants may be exercised as set forth in the applicable offering material. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable offering material, we will forward, as soon as practicable, the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

DESCRIPTION OF UNITS

We may issue units composed of any combination of our common stock and warrants. We will issue each unit so that the holder of the unit is also the holder of each security included in the unit. As a result, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

The following description is a summary of selected provisions relating to units that we may offer. The summary is not complete. When units are offered in the future, a prospectus supplement, information incorporated by reference or a free writing prospectus, as applicable, will explain the particular terms of those securities and the extent to which these general provisions may apply. The specific terms of the units as described in a prospectus supplement, information incorporated by reference, or free writing prospectus will supplement and, if applicable, may modify or replace the general terms described in this section.

This summary and any description of units in the applicable prospectus supplement, information incorporated by reference or free writing prospectus is subject to and is qualified in its entirety by reference to the unit agreement, collateral arrangements and depositary arrangements, if applicable. We will file each of these documents, as applicable, with the SEC and incorporate them by reference as an exhibit to the registration statement of which this prospectus is a part on or before the time we issue a series of units. See “Where You Can Find Additional Information” and “Incorporation of Information by Reference” above for information on how to obtain a copy of a document when it is filed.

The applicable prospectus supplement, information incorporated by reference or free writing prospectus may describe:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances those securities may be held or transferred separately;

any provisions for the issuance, payment, settlement, transfer or exchange of the units or of the securities composing the units;

whether the units will be issued in fully registered or global form; and

any other terms of the units.

The applicable provisions described in this section, as well as those described under “Description of Capital Stock” and “Description of Warrants” above, will apply to each unit and to each security included in each unit, respectively.

LEGAL MATTERS

The validity of the issuance of the common stock offered hereby will be passed upon for us by Weintraub Tobin Chediak Coleman Grodin, Law Corporation, San Francisco, California.

EXPERTS

The consolidated financial statements as of December 31, 2015, and 2014 and for each of the two years ended December 31, 2015 incorporated by reference in this prospectus have been so incorporated in reliance on the reports of Kost Forer Gabbay & Kasierer, a Member of Ernst & Young Global, an independent registered public accounting firm, incorporated herein by reference, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act, with respect to the securities covered by this prospectus. This prospectus and any prospectus supplement which form a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to us and the securities covered by this prospectus, please see the registration statement and the exhibits filed with the registration statement. Any statements made in this prospectus or any prospectus supplement concerning legal documents are not necessarily complete and you should read the documents that are filed as exhibits to the registration statement or otherwise filed with the SEC for a more complete understanding of the document or matter. A copy of the registration statement and the exhibits filed with the registration statement may be inspected without charge at the Public Reference Room maintained by the SEC, located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the Public Reference Room. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the website is <http://www.sec.gov>.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read, without charge, and copy the documents we file at the SEC's public reference room in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public at no cost from the SEC's website at <http://www.sec.gov>.

INCORPORATION OF DOCUMENTS BY REFERENCE

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission under the Securities Act. This prospectus is part of the registration statement but the registration statement includes and incorporates by reference additional information and exhibits. The Securities and Exchange Commission permits us to "incorporate by reference" the information contained in documents we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring you to those documents rather than by including them in this prospectus. Information that is incorporated by reference is considered to be part of this prospectus and you should read it with the same care that you read this prospectus. Information that we file later with the Securities and Exchange Commission will automatically update and supersede the information that is either contained, or incorporated by reference, in this prospectus, and will be considered to be a part of this prospectus from the date those documents are filed. We have filed with the Securities and Exchange Commission, and incorporate by reference in this prospectus:

Our Annual Report on Form 10-K for the period ended December 31, 2015;

Quarterly Report on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016 filed with the SEC;

Current Reports on Form 8-K filed with the SEC on March 14, 2016, September 7, 2016, September 14, 2016, September 22, 2016, October 7, 2016, October 13, 2016, October 27, 2016, November 16, 2016, December 5, 2016, December 29, 2016, January 5, 2017, and January 20, 2017;

Our proxy statement dated November 17, 2016 and

The description of our common stock contained in Form 8-A.

We also incorporate by reference all additional documents that we file with the Securities and Exchange Commission under the terms of Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act that are made after the initial filing date of the registration statement of which this prospectus is a part until the offering of the particular securities covered by a prospectus supplement or term sheet has been completed. We are not, however, incorporating, in each case, any documents or information that we are deemed to furnish and not file in accordance with Securities and Exchange Commission rules.

We will provide you, without charge upon written or oral request, a copy of any and all of the information that has been incorporated by reference in this prospectus and that has not been delivered with this prospectus. Requests should be directed to Digital Power Corporation., 48430 Lakeview Blvd., Fremont, California, 94538-3158; Tel.:

(510) 657-2635; Attention: Amos Kohn, President and Chief Executive Officer.

PART II**INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution.**

The following table sets forth an estimate of the fees and expenses relating to the issuance and distribution of the securities being registered hereby, other than underwriting discounts and commissions, all of which shall be borne by the Registrant. All of such fees and expenses, except for the SEC registration fee, are estimated:

SEC registration fee	\$580
Legal fees and expenses	\$7,500
Accounting fees and expenses	\$18,000
Miscellaneous fees and expenses	\$10,000
TOTAL:	\$36,080

Item 15. Indemnification of Officers and Directors.

Sections 204 and 317 of the Corporation Code indemnification of directors, officers, employees, and other agents of corporations under certain conditions subject to certain limitations. Article IV of the Company's Amended and Restated Articles of Incorporation (the "Articles") provides that the liability of the directors for monetary damages shall be eliminated to the fullest extent permissible under California Law. Article V of the Company's Articles states that the Company may provide indemnification of its agents, including its officers and directors, for breach of duty to the Company and its stockholders in excess of the indemnification otherwise permitted by Section 317 of the Corporations Code, subject to the limits on such excess indemnification set forth in Section 204 of the Corporations Code. Article VI of the Bylaws of Digital Power Corporation provides that the Company shall, to the maximum extent and in the manner permitted in the Corporations Code, indemnify each of its agents, including its officers and directors, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the Company.

Pursuant to Section 317 of the Corporations Code, the Company is empowered to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Company to procure a judgment in its favor) by reason of the fact that such person is or was an officer, director, employee, or other agent of the Company or its subsidiaries, against expenses, judgments, fines, settlements, and other amounts actually

and reasonably incurred in connection with such proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Company and, in the case of a criminal proceeding, has no reasonable cause to believe the conduct of such person was unlawful. In addition, the Company may indemnify, subject to certain exceptions, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the Company to procure a judgment in its favor by reason of the fact that such person is or was an officer, director, employee, or other agent of the Company or its subsidiaries, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith and in a manner such person believed to be in the best interest of the Company and its shareholders. The Company may advance expenses incurred in defending any proceeding prior to final disposition upon receipt of an undertaking by the agent to repay that amount if it shall be determined that the agent is not entitled to indemnification as authorized by Section 317. In addition, the Company is permitted to indemnify its agents in excess of Section 317.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Registrant pursuant to the foregoing provisions, the Registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 16. Exhibits.

Exhibit No.	Document
3.1	Amended and Restated Articles of Incorporation (1)
3.2	Amendment to the Articles of Incorporation (1)
3.3	Amendment to the Articles of Incorporation (2)
3.4	Bylaws (1)
5.1	Legal Opinion of Weintraub Tobin
10.1.1	2016 Stock Incentive Plan, as amended (3)
10.2	Manufacturing and Distribution Rights Agreement, dated January 7, 2016, by and between the Company and Advice Electronics Ltd.(4)
10.3	Securities Purchase Agreement among the Company Philou Ventures, LLC, and Telkooor Telecom Ltd. (5)
10.4	Rescission Agreement among Digital Power Corporation and Digital Power Ltd. and Telkooor Telecom Ltd. and Telkooor Power Supplies Ltd.(5)
10.5	Form of 12% Convertible Secured Note (6)
10.6	Form Warrant – \$0.80 exercise price (6)
10.7	Form Warrant – \$0.90 exercise price (6)
10.8	Form Registration Rights Agreement (6)
10.9	Form of Warrant – Unit Offering (7)
10.10	Form of Registration Rights Agreement – Unit Offering (7)
10.11	Employment Agreement of Amos Kohn (8)
23.1	Consent of Kost Forer Gabbay &Kasierer
23.2	Consent of Weintraub Tobin (contained in Exhibit 5.1)
99.1	Power of Attorney (contained in signature page)

(1) Previously filed with the Commission on October 16, 1996, to the Company's Registration Statement on Form SB-2.

(2) Previously filed with the Commission on Form 8-K filed December 9, 2013.

(3) Previously filed with the Commission on Form 8-K filed December 29, 2016.

(4) Previously filed with the Commission on Form 10-K for the year ended December 31, 2015.

First \$ 77.40 \$ 65.38

Second 74.61 66.51

Third 69.57 45.47

Fourth 52.26 39.62

Issuer Purchases of Equity Securities. On December 17, 2014, WESCO announced that its Board of Directors approved, on December 11, 2014, the repurchase of up to \$300 million of the Company's common stock through December 31, 2017. As of December 31, 2015, WESCO has repurchased 2,468,576 shares of the Company's common stock for \$150.0 million under this repurchase authorization.

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Company Performance. The following stock price performance graph illustrates the cumulative total return on an investment in WESCO International, Inc., a 2015 Performance Peer Group, and the Russell 2000 Index. The graph covers the period from December 31, 2010 to December 31, 2015, and assumes that the value for each investment was \$100 on December 31, 2010, and that all dividends were reinvested.

2015 Performance Peer Group:

Airgas, Inc.	Eaton Corporation Plc	MSC Industrial Direct Co., Inc.
Anixter International, Inc.	Emerson Electric Company	Pool Corporation
Applied Industrial Technologies, Inc.	Fastenal Company	Rockwell Automation, Inc.
Arrow Electronics, Inc.	Genuine Parts Company	Tech Data Corporation
Avnet, Inc.	Houston Wire & Cable Company	Essendant, Inc. ¹
Beacon Roofing Supply, Inc.	Hubbell, Inc.	W.W. Grainger, Inc.
Danaher Corporation	Ingram Micro, Inc.	Watsco, Inc.

¹ United Stationers changed their name to Essendant, Inc. in February 2015.

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Item 6. Selected Financial Data.

Selected financial data and significant events related to the Company's financial results for the last five fiscal years are listed below. The financial data should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 and with Management's Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7.

Year Ended December 31, (In millions, except per share data)	2015	2014	2013	2012	2011
Income Statement Data:					
Net sales	\$7,518.5	\$7,889.6	\$7,513.3	\$6,579.3	\$6,125.7
Cost of goods sold (excluding depreciation and amortization)	6,024.8	6,278.6	5,967.9	5,247.8	4,889.2
Selling, general and administrative expenses	1,055.0	1,076.8	996.8	961.0	872.0
Depreciation and amortization	65.0	68.0	67.6	37.6	31.6
Income from operations	373.7	466.2	481.0	332.9	332.9
Interest expense, net	69.8	82.1	85.6	47.8	53.6
Loss on debt extinguishment ⁽¹⁾	—	—	13.2	3.5	—
Other loss ⁽²⁾	—	—	2.3	—	—
Income before income taxes	303.9	384.1	379.9	281.6	279.3
Provision for income taxes	95.5	108.7	103.4	79.9	83.1
Net income	208.4	275.4	276.5	201.7	196.2
Net loss (income) attributable to noncontrolling interest ⁽³⁾	2.3	0.5	(0.1)	0.1	0.1
Net income attributable to WESCO International, Inc.	\$210.7	\$275.9	\$276.4	\$201.8	\$196.3
Earnings per common share attributable to WESCO International, Inc.					
Basic	\$4.85	\$6.21	\$6.26	\$4.62	\$4.54
Diluted	\$4.18	\$5.18	\$5.25	\$3.95	\$3.96
Weighted-average common shares outstanding					
Basic	43.4	44.4	44.1	43.7	43.2
Diluted	50.4	53.3	52.7	51.1	49.6
Other Financial Data:					
Capital expenditures	\$21.7	\$20.5	\$27.8	\$23.1	\$33.3
Net cash provided by operating activities	283.1	251.2	315.1	288.2	167.5
Net cash used in investing activities	(170.2)	(144.2)	(18.2)	(1,311.0)	(81.3)
Net cash (used in) provided by financing activities	(67.8)	(95.5)	(257.5)	1,044.0	(70.9)
Balance Sheet Data:					
Total assets	\$4,587.4	\$4,754.4	\$4,648.9	\$4,629.6	\$3,078.5
Total debt (including current and short-term debt) ⁽⁴⁾	1,501.1	1,415.6	1,487.7	1,735.2	649.3
Stockholders' equity ⁽⁵⁾	1,773.9	1,928.2	1,764.8	1,553.7	1,345.9

Represents the loss recognized in 2013 related to the \$500 million prepayment made to the U.S. sub-facility of the (1) term loans due 2019, and the loss recognized in 2012 due to the redemption of the Company's then outstanding 7.50% Senior Subordinated Notes due 2017.

(2) Represents the loss on the sale of a foreign operation in 2013.

(3) Represents the portion not owned by the Company of net loss (income) attributable to consolidated entities.

(4) Includes the discount related to convertible debentures and the Term Loan Facility. See Note 7 of the Notes to Consolidated Financial Statements.

(5) Stockholders' equity includes amounts related to convertible debentures. See Note 7 of the Notes to Consolidated Financial Statements.

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Item 7. 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 and notes thereto included in Item 8 of this Annual Report on Form 10-K.

Company Overview

In 2015, we streamlined our organization, made improvements to our variable rate debt facilities, accelerated our LEAN initiatives, integrated two accretive acquisitions, generated strong cash flow and closely managed costs. Our financial results primarily reflect continued weakness in commodity-driven end markets and the unfavorable impact of changes in foreign currencies, partially offset by the benefits of cost reduction actions. Sales decreased \$371.1 million, or 4.7%, over the prior year. Normalized organic sales decreased 3.3%; foreign exchange rates negatively impacted sales by 3.4% and were partially offset by a positive impact from acquisitions of 2.0%. Cost of goods sold as a percentage of net sales was 80.1% and 79.6% in 2015 and 2014, respectively. Operating income was \$373.7 million for 2015, compared to \$466.2 million for 2014. Operating income decreased due to lower sales, lower supplier volume rebates and business mix. Net income attributable to WESCO International, Inc. of \$210.7 million decreased by 23.6%. Diluted earnings per share attributable to WESCO International, Inc. were \$4.18 in 2015, compared with diluted earnings per share of \$5.18 in 2014.

Our end markets consist of industrial firms, electrical and data communications contractors, utilities, and commercial organizations, institutions and governmental entities. Our transaction types to these markets can be categorized as stock, direct ship and special order. Stock orders are filled directly from existing inventory and represent approximately 50% of total sales. Approximately 39% of our total sales are direct ship sales. Direct ship sales are typically custom-built products, large orders or products that are too bulky to be easily handled and, as a result, are shipped directly to the customer from the supplier. Special orders are for products that are not ordinarily stocked in inventory and are ordered based on a customer's specific request. Special orders represent the remaining 11% of total sales.

We have historically financed our working capital requirements, capital expenditures, acquisitions, share repurchases and new branch openings through internally generated cash flow, debt issuances, borrowings under our credit facilities and funding through our Receivables Facility.

Cash Flow

We generated \$283.1 million in operating cash flow during 2015. Cash provided by operating activities included net income of \$208.4 million and adjustments to net income totaling \$121.2 million. Investing activities included aggregate payments of \$151.6 million primarily for the acquisitions of Hill Country and Needham Electric, capital expenditures totaling \$21.7 million, and proceeds of \$3.1 million from the sale of assets. Financing activities during 2015 consisted of borrowings and repayments of \$1,276.0 million and \$1,209.0 million, respectively, related to our Revolving Credit Facility, borrowings and repayments of \$252.6 million and \$157.6 million, respectively, related to our Receivables Facility, and repayments of \$69.2 million applied to our Term Loan Facility. Financing activities in 2015 also included borrowings and repayments on our various international lines of credit of \$102.0 million and \$100.3 million, respectively.

Free cash flow for the years ended December 31, 2015 and 2014 was \$261.4 million and \$230.7 million, respectively.

The following table sets forth the components of free cash flow:

	Twelve Months Ended December 31,	
	2015	2014
Free Cash Flow:		
(In millions)		
Cash flow provided by operations	\$283.1	\$251.2
Less: Capital expenditures	(21.7)	(20.5)
Free cash flow	\$261.4	\$230.7

Note: The table above reconciles cash flow provided by operations to free cash flow. Free cash flow is a non-GAAP financial measure provided by the Company as an additional indicator of liquidity. Capital expenditures are deducted from operating cash flow to determine free cash flow. Free cash flow is available to provide a source of funds for any of the Company's financing needs.

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Financing Availability

As of December 31, 2015, we had \$438.7 million in total available borrowing capacity under our Revolving Credit Facility, which was comprised of \$236.4 million of availability under the U.S. sub-facility and \$202.3 million of availability under the Canadian sub-facility. Available borrowing capacity under our Receivables Facility was \$10.9 million. These debt facilities were amended and restated on September 24, 2015. As a result of the respective amendments, the Revolving Credit Facility and Receivables Facility mature in September 2020 and September 2018, respectively. For further discussion related to the amendments of these facilities, refer to Note 7 of our Notes to the Consolidated Financial Statements.

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 (GAAP). 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. 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 our sales are predominantly 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. In all cases, revenue is recognized once the sales price to our customer is fixed or is determinable and we have reasonable assurance as to the collectability.

In certain customer arrangements, we provide services such as inventory management. We may perform some or all of the following services for customers: determine inventory stocking levels; establish inventory reorder points; launch purchase orders; receive material; put away material; and pick material for order fulfillment. We recognize revenue for services rendered during the period based upon a previously negotiated fee arrangement. We also sell inventory to these customers and recognize revenue at the time title and risk of loss transfers to the customer.

Selling, General and Administrative Expenses

We include warehousing, purchasing, branch operations, information services, and marketing and selling expenses in this category, as well as other types of general and administrative costs.

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 at the local branch level and on a consolidated corporate basis to calculate the allowance for doubtful accounts.

Excess and Obsolete Inventory

We write down our inventory to its net realizable value based on internal factors derived from historical analysis of actual losses. We identify items at risk of becoming obsolete, which is defined as supply in excess of 36 months relative to demand or movement. We then analyze the ultimate disposition of previously identified excess inventory items, such as sold, returned to supplier, or scrapped. This item by item analysis allows us to develop an estimate of the likelihood that an item identified as being in excess supply ultimately becomes obsolete. We apply the estimate to

inventory items currently in excess of 36 months supply, and reduce our inventory carrying value by the derived amount. We revisit and test our assumptions on a periodic basis. Historically, we have not had material changes to our assumptions and do not anticipate any material changes in the future.

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 in the Consolidated Balance Sheets. The corresponding rebate income is recorded as a reduction of cost of goods sold. The appropriate level of such income is derived

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from the level of actual purchases made by us from suppliers. Supplier volume rebate rates have historically ranged between approximately 0.9% and 1.4% of sales depending on market conditions. In 2015, the rebate rate was 1.0%.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the fourth quarter using information available at the end of September, or more frequently if triggering events occur indicating that their carrying value may not be recoverable. We test for goodwill impairment on a reporting unit level and the evaluation involves comparing the fair value of each reporting unit with its carrying value. The fair values of our reporting units are determined using a combination of a discounted cash flow analysis and market multiples. Assumptions used for these fair value techniques are based on a combination of historical results, current forecasts, market data and recent economic events. We evaluate the recoverability of indefinite-lived intangible assets using a discounted cash flow analysis based on projected financial information. The determination of fair value involves significant management judgment and could be negatively affected by the current weak market conditions, including the challenging macroeconomic indicators in the markets in which we operate and those where our customers are based. We apply our best judgment when assessing the reasonableness of financial projections. At December 31, 2015 and 2014, goodwill and indefinite-lived trademarks totaled \$1,773.6 million and \$1,840.0 million, respectively.

The estimated fair values of most of our reporting units were at least 25% greater than their respective carrying values. One reporting unit with goodwill of \$186.7 million had a fair value that was approximately 5% greater than its carrying value. In performing our quantitative assessment for this reporting unit, we used revenue growth rates of 2.9% to 5.7%, a terminal growth rate of 3% and a discount rate of 9.3%. Management believes that the terminal growth rate is supported by our historical growth rate, near-term projections and long-term expected market growth. The discount rate reflects marketplace participants' cost of capital. Had we used a discount rate that was 25 basis points higher or a terminal growth rate that was 25 basis points lower than those assumed, the fair value of this reporting unit would have continued to exceed its carrying amount.

A possible indicator of goodwill impairment is the relationship of a company's market capitalization to its book value. As of December 31, 2015, our market capitalization exceeded our book value and there were no impairment losses identified as a result of our annual test. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill and indefinite-lived intangible impairment test will prove to be an accurate prediction of future results.

Intangible Assets

We account for certain economic benefits purchased as a result of our acquisitions, including customer relations, distribution agreements, technology and trademarks, as intangible assets. Most trademarks have an indefinite life. We amortize all other intangible assets over a useful life determined by the expected cash flows produced by such intangibles and their respective tax benefits. Useful lives vary between 2 and 20 years, depending on the specific intangible asset.

Insurance Programs

We use commercial insurance for auto, workers' compensation, casualty and health claims as a risk sharing strategy to reduce our exposure to catastrophic losses. Our strategy involves large deductible policies 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 account for income taxes under the asset and liability method, which requires the recognition of deferred income taxes for events that have future tax consequences. Under this method, deferred income taxes are recognized (using enacted tax laws and rates) based on the future income tax effects of differences in the carrying amounts of assets and liabilities for financial reporting and tax purposes. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period of change.

We recognize deferred tax assets at amounts that are expected to be realized. To make such determination, we evaluate all positive and negative evidence, including but not limited to, prior, current and future taxable income, tax planning strategies and future reversals of existing temporary differences. A valuation allowance is recognized if it is

“more likely than not” that some or all of a deferred tax asset will not be realized. We regularly assess the realizability of deferred tax assets.

No provision is made for undistributed earnings that are considered to be permanently reinvested to fund growth in foreign markets.

We account for uncertainty in income taxes using a "more-likely-than-not" recognition threshold. Due to the subjectivity inherent in the evaluation of uncertain tax positions, the tax benefit ultimately recognized may materially differ from our estimate. We recognize interest related to uncertain tax benefits as part of interest expense. We recognize penalties related to uncertain tax benefits as part of income tax expense.

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Convertible Debentures

We separately account for the liability and equity components of our convertible debentures in a manner that reflects our nonconvertible debt borrowing rate. We estimate our non-convertible debt borrowing rate through a combination of discussions with our financial institutions and review of relevant market data. The convertible debenture discount is amortized to interest expense, using the effective interest method, over the implicit life of the debentures.

Stock-Based Compensation

Our stock-based employee compensation plans are comprised of stock-settled stock appreciation rights, restricted stock units, and performance-based awards. Compensation cost for all stock-based awards is measured at fair value on the date of grant, and compensation cost is recognized, net of forfeitures, over the service period for awards expected to vest. The fair value of stock-settled appreciation rights and performance-based awards with market conditions is determined using the Black-Scholes and Monte Carlo simulation models, respectively. The fair value of restricted stock units with service conditions and performance-based awards with performance conditions is determined by the grant-date closing price of WESCO's common stock. Expected volatilities are based on historical volatility of our common stock. We estimate the expected life of stock-settled stock appreciation rights using historical data pertaining to option exercises and employee terminations. The risk-free rate is based on the U.S. Treasury yields in effect at the time of grant. The forfeiture assumption is based on our historical employee behavior, which we review on an annual basis. No dividends are assumed for stock-based awards.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items in our Consolidated Statements of Income and Comprehensive Income (Loss) for the periods presented.

Year Ended December 31,	2015	2014	2013	
Net sales	100.0	% 100.0	% 100.0	%
Cost of goods sold	80.1	79.6	79.4	
Selling, general and administrative expenses	14.0	13.6	13.3	
Depreciation and amortization	0.9	0.9	0.9	
Income from operations	5.0	5.9	6.4	
Interest expense	0.9	1.0	1.1	
Loss on debt extinguishment	—	—	0.2	
Income before income taxes	4.1	4.9	5.1	
Provision for income taxes	1.3	1.4	1.4	
Net income attributable to WESCO International, Inc.	2.8	% 3.5	% 3.7	%

2015 Compared to 2014

Net Sales. Sales in 2015 decreased 4.7% to \$7,518.5 million, compared with \$7,889.6 million in 2014. Normalized organic sales decreased 3.3%; foreign exchange rates negatively impacted sales by 3.4% and were partially offset by a positive impact from acquisitions of 2.0%. Additionally, management estimates that price had no measurable impact on net sales.

The following table sets forth normalized organic sales growth:

Normalized Organic Sales:	Twelve Months Ended		
	December 31,	2014	
Change in net sales	2015	2014	%
Less: Impact from acquisitions	(4.7	5.0	%
Less: Impact from foreign exchange rates	2.0	1.4	%
Less: Impact from number of workdays	(3.4	(1.6)%
Normalized organic sales growth	—	(0.4)%
	(3.3	5.6)%

Note: Normalized organic sales growth is a non-GAAP financial measure provided by the Company to provide a better understanding of the Company's sales growth trends. Normalized organic sales growth is calculated by deducting the percentage impact on net sales from acquisitions, foreign exchange rates and number of workdays from

the overall percentage change in consolidated net sales.

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Cost of Goods Sold. Cost of goods sold decreased 4.0% in 2015 to \$6,024.8 million, compared with \$6,278.6 million in 2014. Cost of goods sold as a percentage of net sales was 80.1% and 79.6% in 2015 and 2014, respectively.

Selling, General and Administrative (“SG&A”) Expenses. SG&A expenses include costs associated with personnel, shipping and handling, travel, advertising, facilities, utilities and bad debts. SG&A expenses decreased by \$21.9 million, or 2.0%, to \$1,055.0 million in 2015. The decrease in SG&A expenses is primarily due to cost reduction actions implemented during 2015, foreign exchange rates, lower variable sales and compensation costs and ongoing discretionary spending controls. As a percentage of net sales, SG&A expenses increased to 14.0% in 2015, compared to 13.6% in 2014, reflecting lower sales volume and incremental costs related to recent acquisitions, which were not fully offset by cost control actions and initiatives.

SG&A payroll expenses for 2015 of \$735.9 million decreased by \$23.0 million compared to 2014. The decrease in SG&A payroll expenses was primarily due to a decrease in commissions, incentives and benefits of \$16.6 million and a decrease in temporary labor of \$4.7 million. These decreases are due to a 5.0% headcount reduction, exclusive of acquisitions, and a reduction in discretionary spending.

The remaining SG&A expenses for 2015 of \$319.1 million increased by \$1.2 million compared to 2014.

Depreciation and Amortization. Depreciation and amortization decreased \$3.0 million to \$65.0 million in 2015, compared with \$68.0 million in 2014.

Income from Operations. Income from operations decreased by \$92.5 million to \$373.7 million in 2015, compared to \$466.2 million in 2014. Income from operations as a percentage of net sales was 5.0% and 5.9% in 2015 and 2014, respectively.

Interest Expense. Interest expense totaled \$69.8 million in 2015, compared with \$82.1 million in 2014, a decrease of 14.9%. Non-cash interest expense, which includes the amortization of debt discount, interest related to uncertain tax positions, the amortization of deferred financing fees and accrued interest was \$3.5 million and \$8.1 million for 2015 and 2014, respectively. The resolution of transfer pricing matters associated with previously filed tax positions resulted in non-cash interest income of \$9.4 million in the fourth quarter of 2015. Cash interest expense decreased primarily as a result of the repayment of the Canadian sub-facility of the term loans due 2019 throughout 2015.

The following table sets forth the components of interest expense:

	Twelve Months Ended		
	December 31,		
	2015	2014	
(In millions)			
Amortization of debt discount	\$6.1	\$4.1	
Amortization of deferred financing fees	6.1	4.4	
Interest related to uncertain tax positions, net	(8.7	) 1.0
Accrued interest	—	(1.4)
Non-cash interest expense	3.5	8.1	
Cash interest expense	66.3	74.0	
Total interest expense	\$69.8	\$82.1	

Income Taxes. Our effective income tax rate was 31.4% in 2015 compared to 28.3% in 2014. Our effective tax rate is affected by recurring items, such as the relative amounts of income earned in the United States and foreign jurisdictions, primarily Canada, the tax rates in these jurisdictions and changes in foreign currency exchange rates.

The resolution of the tax matter described above in the discussion of interest expense, resulted in incremental income tax expense of \$11.7 million, which increased the effective tax rate by 2.9 percentage points.

Net Income. Net income decreased by \$67.1 million, or 24.3%, to \$208.4 million in 2015, compared to \$275.4 million in 2014.

Net (Loss) Income Attributable to Noncontrolling Interest. Net loss attributable to noncontrolling interest was \$2.3 million in 2015, compared to \$0.5 million in 2014. The losses in 2015 and 2014 were primarily due to foreign exchange losses on cash balances.

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Net Income Attributable to WESCO International, Inc. Net income and diluted earnings per share attributable to WESCO International, Inc. on a consolidated basis totaled \$210.7 million and \$4.18 per share, respectively, in 2015, compared with \$275.9 million and \$5.18 per share, respectively, in 2014.

2014 Compared to 2013

Net Sales. Sales in 2014 increased 5.0% to \$7,889.6 million, compared with \$7,513.3 million in 2013. The increase in sales included positive impacts from organic growth and acquisitions of 5.6% and 1.4%, respectively, partially offset by the negative effects of foreign exchange rates and number of workdays of 1.6% and 0.4%, respectively.

Additionally, management estimates a price impact on net sales of approximately 0.5%.

The following table sets forth normalized organic sales growth:

Normalized Organic Sales:	Twelve Months Ended December 31,			
	2014		2013	
Change in net sales	5.0	%	14.2	%
Less: Impact from acquisitions	1.4	%	14.6	%
Less: Impact from foreign exchange rates	(1.6)	)%	(0.4))%
Less: Impact from number of workdays	(0.4))%	—	%
Normalized organic sales growth	5.6	%	—	%

Note: Normalized organic sales growth is a non-GAAP financial measure provided by the Company to provide a better understanding of the Company's sales growth trends. Normalized organic sales growth is calculated by deducting the percentage impact on net sales from acquisitions, foreign exchange rates and number of workdays from the overall percentage change in consolidated net sales.

Cost of Goods Sold. Cost of goods sold increased 5.2% in 2014 to \$6,278.6 million, compared with \$5,967.9 million in 2013. Cost of goods sold as a percentage of net sales was 79.6% and 79.4% in 2014 and 2013, respectively.

Selling, General and Administrative (“SG&A”) Expenses. SG&A expenses include costs associated with personnel, shipping and handling, travel, advertising, facilities, utilities and bad debts. SG&A expenses increased by \$80.0 million, or 8.0%, to \$1,076.8 million in 2014. The increase in SG&A expenses is primarily due to higher employment related costs resulting from the growth in organic sales and the impact from the LaPrairie, Hazmasters and Hi-Line acquisitions. SG&A expenses in 2013 include a \$36.1 million favorable impact from the recognition of insurance coverage for a litigation-related charge recorded in 2012. Adjusted SG&A expenses increased \$43.9 million, or approximately 4.2%, from 2013. As a percentage of net sales, adjusted SG&A expenses decreased to 13.6% in 2014, compared with 13.7% in 2013, reflecting ongoing cost controls and incremental cost reduction actions implemented during 2014.

The following table sets forth adjusted selling, general and administrative expenses:

Adjusted Selling, General and Administrative Expenses:	Twelve Months Ended December 31,		
	2014	2013	
(In millions)			
Selling, general and administrative expenses	\$ 1,076.8	\$ 996.8	
Litigation recovery included in SG&A	—	36.1	
Adjusted selling, general and administrative expenses	\$ 1,076.8	\$ 1,032.9	
Percent of sales	13.6	% 13.7	%

Note: Adjusted SG&A is provided by the Company to allow financial statement users to compare the Company's performance from period to period by adjusting for transactions management views as impacting the comparability of results.

SG&A payroll expenses for 2014 of \$758.9 million increased by \$38.7 million compared to 2013. The increase in SG&A payroll expenses was primarily due to an increase in salary expense of \$23.6 million and an increase in commissions, incentives and benefits of \$13.9 million. These increases are primarily due to an increase in headcount,

which is the result of both recent acquisitions and organic sales growth.

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The remaining SG&A expenses for 2014 of \$317.9 million increased by \$41.3 million compared to 2013 primarily due to the favorable impact of a litigation matter in 2013 and increased occupancy and transportation costs of \$5.8 in 2014 related to recent acquisitions and organic sales growth.

Depreciation and Amortization. Depreciation and amortization increased \$0.4 million to \$68.0 million in 2014, compared with \$67.6 million in 2013. The increase in depreciation and amortization was primarily due to the impact from recent acquisitions, partially offset by the reduction in capital expenditures in 2014.

Income from Operations. Income from operations decreased by \$14.8 million to \$466.2 million in 2014, compared to \$481.0 million in 2013. Income from operations in 2014 increased by \$21.3 million, or 4.8%, from adjusted income from operations of \$444.9 million in 2013. Adjusted income from operations as a percentage of net sales was 5.9% in 2014 and 2013, respectively.

The following table sets forth adjusted income from operations:

	Twelve Months Ended	
	December 31,	
Adjusted Income from Operations: (In millions)	2014	2013
Income from operations	\$466.2	\$481.0
Litigation recovery included in SG&A	—	(36.1)
Adjusted income from operations	\$466.2	\$444.9
Percent of sales	5.9	% 5.9

Note: Adjusted income from operations is provided by the Company to allow financial statement users to compare the Company's performance from period to period by adjusting for transactions management views as impacting the comparability of results.

Interest Expense. Interest expense totaled \$82.1 million in 2014, compared with \$85.6 million in 2013, a decrease of 4.1%. Non-cash interest expense, which includes the amortization of debt discount, interest related to uncertain tax positions, the amortization of deferred financing fees and accrued interest was \$8.1 million and \$10.2 million for 2014 and 2013, respectively.

The following table sets forth the components of interest expense:

	Twelve Months Ended	
	December 31,	
(In millions)	2014	2013
Amortization of debt discount	\$4.1	\$4.3
Amortization of deferred financing fees	4.4	4.9
Interest related to uncertain tax positions, net	1.0	0.6
Accrued interest	(1.4	) 0.4
Non-cash interest expense	8.1	10.2
Cash interest expense	74.0	75.4
Total interest expense	\$82.1	\$85.6

Loss on Debt Extinguishment. In 2013, the Company incurred a loss on debt extinguishment of \$13.2 million in connection with the repayment of \$500 million of the Company's Term Loan Facility. In 2014, no such loss was incurred.

Loss on Sale of Argentina Business. The Company recorded a loss in 2013 of \$2.3 million resulting from the sale and complete divestiture of its EECOL Electric Argentina operations. The Company did not record such a loss in 2014.

Income Taxes. Our effective income tax rate was 28.3% in 2014 compared to 27.2% in 2013. Our effective tax rate is affected by recurring items, such as the relative amounts of income earned in the United States and foreign jurisdictions, primarily Canada, and the tax rates in these jurisdictions. The relative amounts of income earned in the United States and Canada is affected by the exchange rate at which Canadian income is translated into U.S. dollars.

The increase in the tax rate from 2013 to 2014 was primarily due to a discrete benefit recorded in 2013 for foreign tax

credits as a result of the settlement

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of the Company's 1998-2003 IRS examination and the impact of an unfavorable change in the Canadian to U.S. dollar foreign exchange rate on the translation of taxable income from WESCO's Canadian operations.

Our effective income tax rate was 26.0% in 2014, as adjusted for the favorable impact of a litigation matter.

Net Income. Net income decreased by \$1.1 million, or 0.4%, to \$275.4 million in 2014, compared to \$276.5 million in 2013. Net income in 2014 increased \$20.9 million compared to adjusted net income of \$254.5 million in 2013.

Net (Loss) Income Attributable to Noncontrolling Interest. Net loss attributable to noncontrolling interest was \$0.5 million in 2014 and was primarily due to foreign exchange losses on cash balances. Net income attributable to noncontrolling interest totaled \$0.1 million in 2013.

Net Income Attributable to WESCO International, Inc. Net income and diluted earnings per share attributable to WESCO International, Inc. on a consolidated basis totaled \$275.9 million and \$5.18 per share, respectively, in 2014, compared with \$276.4 million and \$5.25 per share, respectively, in 2013. Adjusted net income attributable to WESCO International, Inc. and adjusted diluted earnings per share was \$254.4 million and \$4.82, respectively, in 2013.

The following table sets forth adjusted net income and adjusted net income attributable to WESCO International, Inc.:

	Twelve Months Ended December 31,	
	2014	2013
Adjusted Net Income Attributable to WESCO International, Inc.:		
(In millions)		
Income before income taxes	\$ 384.1	\$ 379.9
Litigation recovery included in SG&A	—	(36.1)
Adjusted income before income taxes	384.1	343.8
Adjusted provision for income taxes	108.7	89.3
Adjusted net income	275.4	254.5
Less: Net income (loss) attributable to noncontrolling interest	(0.5)	0.1
Adjusted net income attributable to WESCO International, Inc.	\$ 275.9	\$ 254.4
 Adjusted Diluted EPS:		
Diluted share count	53.3	52.7
Adjusted diluted EPS	\$ 5.18	\$ 4.82

Note: Adjusted net income and adjusted net income attributable to WESCO International, Inc. is provided by the Company to allow financial statement users to compare the Company's performance from period to period by adjusting for transactions management views as impacting the comparability of results. Adjusted diluted EPS is calculated by dividing adjusted net income attributable to WESCO International, Inc. by weighted-average common shares outstanding and common share equivalents.

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Liquidity and Capital Resources

Total assets were \$4.6 billion and \$4.8 billion at December 31, 2015 and 2014, respectively. Total liabilities at December 31, 2015 and 2014 were \$2.8 billion. Stockholders' equity decreased by 8.0% to \$1.8 billion at December 31, 2015, compared with \$1.9 billion at December 31, 2014, primarily as a result of a \$225.8 million foreign currency translation loss recorded within accumulated other comprehensive income (loss) and the repurchase of \$150.0 million of common stock pursuant to the Company's stock repurchase plan. These decreases to stockholders' equity were partially offset by net income of \$210.7 million.

The following table sets forth our outstanding indebtedness:

As of December 31, (In thousands)	2015	2014
Term Loan Facility, less debt discount of \$1,026 and \$3,110 in 2015 and 2014, respectively	\$173,724	\$249,235
5.375% Senior Notes due 2021	500,000	500,000
Accounts Receivable Securitization Facility	525,000	430,000
Revolving Credit Facility	75,000	8,000
International lines of credit	43,314	46,787
6.0% Convertible Senior Debentures due 2029, less debt discount of \$163,316 and \$167,257 in 2015 and 2014, respectively	181,557	177,638
Capital leases	2,505	3,891
Other notes	—	9
Total debt	1,501,100	1,415,560
Less current and short-term portion	(44,339	) (49,130
Total long-term debt	\$1,456,761	\$1,366,430

The required annual principal repayments for all indebtedness for the next five years and thereafter, as of December 31, 2015 is set forth in the following table:

(In thousands)	
2016	\$44,339
2017	827
2018	525,413
2019	174,951
2020	75,040
Thereafter	844,872
Total payments on debt	\$1,665,442
Debt discount on convertible debentures and term loan facility	(164,342
Total debt	\$1,501,100

Our liquidity needs generally arise from fluctuations in our working capital requirements, capital expenditures, acquisitions and debt service obligations. As of December 31, 2015, we had \$438.7 million in available borrowing capacity under our Revolving Credit Facility and \$10.9 million in available borrowing capacity under our Receivables Facility, which combined with our cash of \$96.5 million provided liquidity of \$546.1 million. Cash included in our determination of liquidity represents cash in deposit and interest bearing investment accounts. We believe cash provided by operations and financing activities will be adequate to cover our current operational and business needs. We monitor the depository institutions that hold our cash and cash equivalents on a regular basis, and we believe that we have placed our deposits with creditworthy financial institutions. We also communicate on a regular basis with our lenders regarding our financial and working capital performance, liquidity position and financial leverage. Our financial leverage ratio was 3.8 and 3.0 as of December 31, 2015 and 2014, respectively. In addition, we are in

compliance with all covenants and restrictions contained in our debt agreements as of December 31, 2015.

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The following table sets forth the Company's financial leverage ratio as of December 31, 2015 and 2014:
 Twelve months ended December 31,

(In millions, except ratios)	2015	2014
Income from operations	\$373.7	\$466.2
Depreciation and amortization	65.0	68.0
EBITDA	\$438.7	\$534.2
	December 31,	December 31,
	2015	2014
Current debt	\$44.3	\$49.1
Long-term debt	1,456.8	1,366.4
Debt discount related to convertible debentures and Term Loan Facility ⁽¹⁾	164.3	170.4
Total debt including debt discount	\$1,665.4	\$1,585.9
Less: Cash and cash equivalents	160.3	128.3
Total debt including debt discount, net of cash	\$1,505.1	\$1,457.6
Financial leverage ratio based on total debt	3.8	3.0
Financial leverage ratio based on total debt, net of cash	3.4	2.7

⁽¹⁾ The convertible debentures and term loan facility are presented in the Consolidated Balance Sheets in long-term debt net of the unamortized discount.

Note: Financial leverage is provided by the Company as an indicator of capital structure position. Financial leverage ratio based on total debt is calculated by dividing total debt, including debt discount, by EBITDA. Financial leverage ratio based on total debt, net of cash, is calculated by dividing total debt, including debt discount, net of cash, by EBITDA. EBITDA is defined as the trailing twelve months earnings before interest, taxes, depreciation and amortization.

At December 31, 2015, we had cash and cash equivalents totaling \$160.3 million, of which \$127.0 million was held by foreign subsidiaries. The cash held by some of our foreign subsidiaries could be subject to additional U.S. income taxes if repatriated. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without repatriation of the cash held by these foreign subsidiaries.

Over the next several quarters, we plan to closely manage working capital, and it is expected that excess cash will be directed primarily at debt reduction, acquisitions and share repurchases. Our near term focus will be maintaining ample liquidity and credit availability. We anticipate capital expenditures in 2016 to be at levels similar to 2015. We believe our balance sheet and ability to generate ample cash flow provides us with a durable business model and should allow us to fund expansion needs and growth initiatives.

We finance our operating and investing needs as follows:

Term Loan Facility

On December 12, 2012, WESCO Distribution, as U.S. borrower, WDCC Enterprises Inc. ("WDCC" and together with WESCO Distribution, the "Borrowers"), as Canadian borrower, and WESCO International entered into a Term Loan Agreement (the "Term Loan Agreement") among WESCO Distribution, WDCC, the Company, the lenders party thereto and Credit Suisse AG Cayman Islands Branch, as administrative agent and as collateral agent.

The Term Loan Agreement provided a seven-year term loan facility (the "Term Loan Facility"), which consisted of two separate sub-facilities: (i) a Canadian sub-facility in an aggregate principal amount of CAD \$150 million, issued at a 2.0% discount and (ii) a U.S. sub-facility in an aggregate principal amount of \$700 million, issued at a 1.0% discount. The proceeds of the Term Loan Facility were used to finance the acquisition of EECOL and to pay fees and expenses incurred in connection with the acquisition and certain other transactions. Subject to the terms of the Term Loan Agreement, the Borrowers may request incremental term loans from time to time in an aggregate principal amount not

to exceed at any time \$300 million, with an equivalent principal amount in U.S. Dollars being calculated for any incremental term loan denominated in Canadian Dollars.

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On November 19, 2013, the Borrowers and WESCO International entered into an amendment (the “Term Loan Amendment”) to the Term Loan Agreement. The Term Loan Amendment, among other things, reduced the applicable margin on U.S. term loans by 0.50% and the LIBOR floor applicable to the U.S. sub-facility from 1.00% to 0.75%. The modified pricing terms were effective December 13, 2013.

On November 26, 2013, WESCO Distribution sold \$500 million aggregate principal amount of 5.375% Senior Notes due 2021 (the “2021 Notes”), and used the net proceeds plus excess cash to prepay \$500 million under the Company's U.S. sub-facility of the Term Loan Facility (see discussion below under “5.375% Senior Notes due 2021” for additional information). The prepayment satisfied all remaining quarterly repayment obligations under the U.S. sub-facility. As a result, the Company recorded a non-cash pre-tax loss on debt extinguishment of \$13.2 million in the fourth quarter of 2013. WESCO will amortize the remaining debt discount and financing costs over the life of the instrument. As of December 31, 2015, the amount outstanding under the U.S. sub-facility was \$174.8 million. The Canadian sub-facility was fully repaid in 2015 using cash provided by Canadian operations.

Borrowings under the Term Loan Facility bear interest at base rates plus applicable margins. At December 31, 2015, the interest rate on borrowings under the U.S. sub-facility was 3.75%. At December 31, 2014, the interest rate on borrowings under the Canadian and U.S. sub-facilities were 5.3% and 3.75%, respectively. To the extent not previously paid, the outstanding U.S. sub-facility will become due and payable on December 12, 2019, with any unpaid incremental term loans becoming due and payable on the respective maturity dates applicable to those incremental term loans. At any time or from time to time, the Borrowers may prepay borrowings under the Term Loan Facility in whole or in part without premium or penalty. The Borrowers' obligations under the Term Loan Facility are secured by substantially all of the assets of the Borrowers, the Company and certain of the Company's other subsidiaries; provided that, with respect to borrowings under the U.S. sub-facility, the collateral does not include assets of certain foreign subsidiaries or more than 65% of the issued and outstanding equity interests in certain foreign subsidiaries.

The Term Loan Facility contains customary affirmative and negative covenants for credit facilities of this type. The Term Loan Facility also provides for customary events of default.

5.375% Senior Notes due 2021

In November 2013, WESCO Distribution issued \$500 million aggregate principal amount of 2021 Notes through a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”). The 2021 Notes were issued at 100% of par and are governed by an indenture (the “Indenture”) entered into on November 26, 2013 with WESCO International and U.S. Bank National Association, as trustee. The 2021 Notes are unsecured senior obligations of WESCO Distribution and are guaranteed on a senior unsecured basis by WESCO International. The 2021 Notes bear interest at a stated rate of 5.375%, payable semi-annually in arrears on June 15 and December 15 of each year. In addition, WESCO recorded deferred financing fees related to the issuance of the 2021 Notes totaling \$8.2 million, which are being amortized over the life of the notes. The 2021 Notes mature on December 15, 2021. The net proceeds of the 2021 Notes were used to prepay a portion of the U.S. sub-facility of the term loans due 2019.

Under the terms of a registration rights agreement dated as of November 26, 2013 among WESCO Distribution, Inc., WESCO International, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the initial purchasers of the 5.375% Notes, WESCO Distribution and WESCO International agreed to register under the Securities Act notes having terms identical in all material respects to the 5.375% Notes (the “5.375% Exchange Notes”) and to make an offer to exchange the 5.375% Exchange Notes for the 5.375% Notes. WESCO Distribution launched the exchange offer on June 12, 2014 and the exchange offer closed on July 17, 2014.

At any time on or after December 15, 2016, WESCO Distribution may redeem all or a part of the 2021 Notes. Between December 15, 2016 and December 14, 2017, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 104.031% of the principal amount. Between December 15, 2017 and December 14, 2018, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 102.688% of the principal amount. Between December 15, 2018 and December 14, 2019, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 101.344% of the principal amount. On and after December

15, 2019, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 100% of the principal amount.

The Indenture governing the 2021 Notes contains customary covenants and customary events of default. In addition, upon a change of control, the holders of 2021 Notes have the right to require WESCO Distribution to repurchase all or any part of the 2021 Notes at a redemption price equal to 101% of the principal amount, plus accrued and unpaid interest.

Mortgage Financing Facility

In 2003, WESCO finalized a mortgage financing facility of \$51.0 million. This facility was extinguished with repayments of \$26.4 million in the first quarter of 2013. The interest rate on borrowings under this facility was fixed at 6.5%.

Table of Contents**Accounts Receivable Securitization Facility**

On September 24, 2015, WESCO Distribution, Inc. amended and restated its accounts receivable securitization facility (the "Receivables Facility") pursuant to the terms and conditions of a Fourth Amended and Restated Receivables Purchase Agreement (the "Receivables Purchase Agreement"), by and among WESCO Receivables Corp. ("WESCO Receivables"), WESCO Distribution, Inc., the various purchaser groups from time to time party thereto and PNC Bank, National Association, as Administrator. The Receivables Purchase Agreement amended and restated the receivables purchase agreement entered into on April 13, 2009.

The Receivables Purchase Agreement increased the purchase limit from \$500 million to \$550 million, with the opportunity to exercise an accordion feature which permits increases in the purchase limit of up to \$100 million, extended the term of the Receivables Facility to September 24, 2018 and added and amended certain defined terms. The interest rate spread and commitment fee of the Receivables Facility remained 0.95% and 0.45%, respectively. Under the Receivables Facility, WESCO sells, on a continuous basis, an undivided interest in all domestic accounts receivable to WESCO Receivables Corp., a wholly owned special purpose entity (the "SPE"). The SPE sells, without recourse, a senior undivided interest in the receivables to financial institutions for cash while maintaining a subordinated undivided interest in the receivables, in the form of overcollateralization. WESCO has agreed to continue servicing the sold receivables for the third-party conduits and financial institutions at market rates; accordingly, no servicing asset or liability has been recorded.

As of December 31, 2015 and 2014, accounts receivable eligible for securitization totaled approximately \$684.7 million and \$673.6 million, respectively. The Consolidated Balance Sheets as of December 31, 2015 and 2014 include \$525.0 million and \$430.0 million, respectively, of account receivable balances legally sold to third parties, as well as borrowings for equal amounts. At December 31, 2015 and 2014, the interest rate on borrowings under this facility was approximately 1.4% and 1.0%, respectively.

Revolving Credit Facility

On September 24, 2015, WESCO International, Inc., WESCO Distribution, Inc. and certain other subsidiaries of the Company entered into a \$600 million revolving credit facility (the "Revolving Credit Facility"), which contains a letter of credit sub-facility of up to \$125 million, pursuant to the terms and conditions of a Second Amended and Restated Credit Agreement (the "Credit Agreement"). The Revolving Credit Facility contains an accordion feature allowing WESCO Distribution, Inc. to request increases to the borrowing commitments, subject to customary conditions. This accordion feature increased from \$100 million to \$200 million in the aggregate. The Revolving Credit Facility replaced WESCO Distribution Inc.'s prior revolving credit facility entered into on December 12, 2012.

The Revolving Credit Facility matures in September 2020 and consists of two separate sub-facilities: (i) a Canadian sub-facility with a borrowing limit of up to \$400 million, which is collateralized by substantially all assets of WESCO Canada and the other Canadian Borrowers, other than, among other things, real property, in each case, subject to customary exceptions and limitations, and (ii) a U.S sub-facility with a borrowing limit of up to \$600 million less the amount of outstanding borrowings under the Canadian sub-facility. The U.S. sub-facility is collateralized by substantially all assets of WESCO Distribution, Inc. and its subsidiaries which are party to the Credit Agreement, other than, among other things, real property and accounts receivable sold or intended to be sold pursuant to the Receivables Purchase Agreement. The applicable interest rate for borrowings under the Revolving Credit Facility includes interest rate spreads based on available borrowing capacity that range between 1.25% and 1.75% for LIBOR-based borrowings and 0.25% and 0.75% for prime rate-based borrowings. At December 31, 2015, the interest rate on borrowings under this facility was approximately 1.7%.

The Credit Agreement requires ongoing compliance with certain customary affirmative and negative covenants. The Credit Agreement contains customary events of default.

During 2015, WESCO borrowed \$1,276.0 million in the aggregate under the Revolving Credit Facility and prior revolving credit facility and made repayments in the aggregate amount of \$1,209.0 million. During 2014, aggregate borrowings and repayments were \$1,046.5 million and \$1,059.7 million, respectively. WESCO had \$438.7 million available under the Revolving Credit facility at December 31, 2015, after giving effect to outstanding letters and international lines of credit, as compared to approximately \$497.5 million at December 31, 2014.

International Lines of Credit

Certain foreign subsidiaries of WESCO have entered into uncommitted lines of credit, which serve as overdraft facilities, to support local operations. The maximum borrowing limit varies by facility and ranges between \$2.0 million and \$19.0 million. The applicable interest rate for borrowings under these lines of credit varies by country and is governed by the applicable loan agreement. The international lines of credit are renewable on an annual basis and certain facilities are fully and unconditionally guaranteed by WESCO Distribution. Accordingly, these lines directly reduce availability under the Revolving Credit Facility.

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6.0% Convertible Senior Debentures due 2029

On August 27, 2009, WESCO International completed an exchange offer pursuant to which it issued \$345.0 million in aggregate principal amount of 6.0% Convertible Senior Debentures due 2029 (the “2029 Debentures”) in exchange for approximately \$299.7 million and \$57.7 million in aggregate principal amounts of its previously outstanding 1.75% Convertible Senior Debentures due 2026 and 2.625% Convertible Senior Debentures due 2025, respectively. As a result of the debt exchange, WESCO recorded a gain of \$6.0 million, which included the write-off of debt issuance costs. The 2029 Debentures were issued pursuant to an Indenture dated August 27, 2009 (the “2009 Indenture”), with The Bank of New York Mellon, as trustee, and are unconditionally guaranteed on an unsecured senior subordinate basis by WESCO Distribution.

WESCO separately accounts for the liability and equity components of its 2029 Debentures in a manner that reflects its non-convertible debt borrowing rate. WESCO utilized an interest rate of 13.875% to reflect the non-convertible debt borrowing rate of its offering upon issuance, which was determined based on discussions with its financial institutions and a review of relevant market data, and resulted in a \$181.2 million discount to the 2029 Debenture balance and a net increase in additional capital of \$106.5 million. In addition, the financing costs related to the issuance of the 2029 Debentures were allocated between the debt and equity components. WESCO is amortizing the debt discount and financing costs over the life of the instrument. For the years ended December 31, 2015, 2014 and 2013, non-cash interest expense for the amortization of the debt discount and deferred financing fees was \$4.2 million, \$3.8 million and \$3.2 million, respectively. The amortization of the debt discount and deferred financing fees will approximate \$4.8 million in 2016, \$5.4 million in 2017, \$6.1 million in 2018, \$6.9 million in 2019, and \$7.9 million in 2020.

While the 2029 Debentures accrue interest at an effective interest rate of 13.875% (as described above), the coupon interest rate of 6.0% per annum is payable in cash semi-annually in arrears on each March 15 and September 15. Beginning with the six-month period commencing September 15, 2016, WESCO International will also pay contingent interest during any six-month period in which the trading price of the 2029 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 2029 Debentures. During any six-month period when contingent interest shall be payable, the contingent interest payable per \$1,000 principal amount of 2029 Debentures will equal 0.25% of the average trading price of \$1,000 principal amount of the 2029 Debentures during the five trading days ending on the second trading day immediately preceding the first day of the applicable six-month interest period. The contingent interest feature is an embedded derivative that is not considered clearly and closely related to the host contract. Accordingly, the contingent interest component had no significant value at December 31, 2015 or 2014.

The 2029 Debentures are convertible into cash, and in certain circumstances, shares of WESCO International's common stock, \$0.01 par value, at any time on or after September 15, 2028, or prior to September 15, 2028 in certain circumstances. The 2029 Debentures will be convertible based on an initial conversion rate of 34.6433 shares of common stock per \$1,000 principal amount of the 2029 Debentures (equivalent to an initial conversion price of approximately \$28.87 per share). The conversion rate and conversion price may be adjusted under certain circumstances.

At any time on or after September 15, 2016, the Company may redeem all or a part of the 2029 Debentures plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the redemption date. If WESCO International undergoes certain fundamental changes, as defined in the 2009 Indenture, prior to maturity, holders of the 2029 Debentures will have the right, at their option, to require WESCO International to repurchase for cash some or all of their 2029 Debentures at a repurchase price equal to 100% of the principal amount of the 2029 Debentures being repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the repurchase date.

The following table sets forth the components of WESCO's outstanding convertible debenture indebtedness:

December 31, 2015		December 31, 2014	
Principal	Discount	Principal	Discount

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	Balance		Net Carrying Amount	Balance		Net Carrying Amount
(In thousands)						
2029 Convertible Debentures	344,873	(163,316)	181,557	344,895	(167,257)	177,638

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Covenant Compliance

We were in compliance with all relevant covenants contained in our debt agreements as of December 31, 2015.

Cash Flow

An analysis of cash flows for 2015 and 2014 follows:

Operating Activities. Cash provided by operating activities for 2015 totaled \$283.1 million, compared with \$251.2 million of cash generated in 2014. Cash provided by operating activities included net income of \$208.4 million and adjustments to net income totaling \$121.2 million. Other sources of cash in 2015 were generated from decreases in other accounts receivable of \$57.2 million, trade receivables of \$40.1 million and inventory of \$2.4 million. Primary uses of cash in 2015 included a \$66.8 million decrease in other current and noncurrent liabilities, a \$55.9 million decrease in accounts payable, a \$15.0 million decrease in accrued payroll and benefit costs, and a \$8.5 million increase in prepaid expenses and other noncurrent assets. In 2014, primary sources of cash were net income of \$275.4 million and adjustments to net income totaling \$83.9 million. Other sources of cash in 2014 were generated from increases in accounts payable of \$37.6 million, accrued payroll and benefit cost of \$7.6 million, and other current and noncurrent liabilities of \$11.2 million. Primary uses of cash in 2014 included a \$89.0 million increase in trade receivables, a \$36.8 million increase in inventory, a \$27.0 million increase in prepaid expenses and other noncurrent assets, and a \$11.7 million increase in other accounts receivable.

Investing Activities. Net cash used in investing activities in 2015 was \$170.2 million, compared with \$144.1 million of net cash used in 2014. Capital expenditures were \$21.7 million and \$20.5 million in 2015 and 2014, respectively. Proceeds from the sale of assets were \$3.1 million and \$15.0 million in 2015 and 2014, respectively. During 2015, the Company paid \$151.6 million, primarily to acquire Hill Country and Needham. During 2014, the Company paid \$133.8 million to acquire LaPrairie, Hazmasters and Hi-Line. Acquisition payments in 2014 also included a post-close payment to EECOL in the amount of \$4.8 million.

Financing Activities. Net cash used in financing activities in 2015 was \$67.8 million, compared with \$95.5 million in 2014. During 2015, financing activities consisted of borrowings and repayments of \$1,276.0 million and \$1,209.0 million, respectively, related to our Revolving Credit Facility, borrowings and repayments of \$252.6 million and \$157.6 million, respectively, related to our Receivables Facility, and repayments of \$69.2 million related to our Term Loan Facility. Financing activities in 2015 also included borrowings and repayments on our various international lines of credit of \$102.0 million and \$100.3 million, respectively. Additionally, financing activities in 2015 included the repurchase of \$155.8 million of the Company's common stock, \$150.0 million of which was pursuant to the repurchase plan announced on December 17, 2014. During 2014, financing activities consisted of borrowings and repayments of \$1,046.5 million and \$1,059.7 million, respectively, related to our Revolving Credit Facility, borrowings and repayments of \$122.1 million and \$145.7 million, respectively, related to our Receivables Facility, repayments of \$38.8 million related to our Term Loan Facility. Financing activities in 2014 also included borrowings and repayments on our various international lines of credit of \$71.3 million and \$57.8 million, respectively.

Contractual Cash Obligations and Other Commercial Commitments

The following summarizes our contractual obligations, including interest, at December 31, 2015 and the effect such obligations are expected to have on liquidity and cash flow in future periods.

	2016	2017 to 2018	2019 to 2020	2021 - After	Total
(In millions)					
Contractual cash obligations (including interest):					
Debt, excluding debt discount	\$44.3	\$526.2	\$250.0	\$845.0	\$1,665.5
Interest on indebtedness ⁽¹⁾	64.8	122.9	103.5	206.8	498.0
Non-cancelable operating leases	56.6	88.4	52.0	53.2	250.2
Total contractual cash obligations	\$165.7	\$737.5	\$405.5	\$1,105.0	\$2,413.7

(1) Interest on the variable rate debt was calculated using the rates and balances outstanding at December 31, 2015.

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. Also, we do not consider liabilities for uncertain tax benefits to be contractual obligations requiring disclosure due to the uncertainty surrounding the ultimate settlement and timing of these liabilities. As such, we have not included liabilities for uncertain tax benefits of \$6.5 million in the table above.

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Inflation

The rate of inflation, as measured by changes in the producer price index, affects different commodities, the cost of products purchased and ultimately the pricing of our different products and product classes to our customers. Our pricing related to inflation did not have a measurable impact on our sales revenue for the year ended December 31, 2015. Historically, price changes from suppliers have been consistent with inflation and have not had a material impact on the results of operations.

Seasonality

Our operating results are not significantly affected by seasonal factors. Sales during the first quarter are affected by a reduced level of activity. Sales during the second, third and fourth quarters are generally 5 - 7% higher than the first quarter. Sales typically increase beginning in March, with slight fluctuations per month through October. During periods of economic expansion or contraction our sales by quarter have varied significantly from this pattern.

Impact of Recently Issued Accounting Standards

See Note 2 of our Notes to the Consolidated Financial Statements for information regarding the effect of new accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risks.

Foreign Currency Risks

Approximately 25% of our sales in 2015 were made by our foreign subsidiaries located in North America, South America, Europe, Africa, Asia and Australia and are denominated in foreign currencies. We may establish additional foreign subsidiaries in the future. Accordingly, we may derive a larger 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

Fixed Rate Borrowings: Approximately 51% of our debt portfolio is comprised of fixed rate debt. At various times, we have refinanced our debt to mitigate the impact of interest rate fluctuations. As the 2021 Notes and 2029 Debentures were issued at fixed rates, interest expense would not be impacted by interest rate fluctuations, although market value would be. The fair value of the 2029 Debentures was \$514.2 million, at December 31, 2015. For the 2021 Notes, fair value approximated carrying value.(see Note 7 to the Consolidated Financial Statements).

Floating Rate Borrowings: The Company's variable rate borrowings at December 31, 2015 were comprised of the amounts outstanding under the Term Loan Facility, Receivables Facility, Revolving Credit Facility, and the international lines of credit. The fair value of these debt instruments at December 31, 2015 approximated carrying value, which totaled \$818.1 million. We entered into the Term Loan Facility on December 12, 2012 and the proceeds were primarily used to finance the acquisition of EECOL. Borrowings under the U.S. sub-facility of the term loans due 2019 bear interest at 0.75% or, if greater, the applicable LIBOR (London Interbank Offered Rate) or base rates plus applicable margins and therefore are subject to fluctuations in interest rates. We borrow under our Revolving Credit Facility and Receivables Facility for general corporate purposes, including working capital requirements and capital expenditures. Borrowings under our Revolving Credit Facility bear interest at the applicable LIBOR / CDOR (Canadian Dealer Offered Rate) or base rates plus applicable margins, whereas borrowings under the Receivables Facility bear interest at the 30 day LIBOR plus applicable margins. A 100 basis point increase or decrease in interest rates would not have a significant impact on future earnings under our current capital structure.

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Item 8. Financial Statements and Supplementary Data.

The information required by this item is set forth in our Consolidated Financial Statements contained in this Annual Report on Form 10-K. Specific financial statements can be found at the pages listed below:

	PAGE
<u>Report of Independent Registered Public Accounting Firm</u>	<u>34</u>
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	<u>35</u>
<u>Consolidated Statements of Income and Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013</u>	<u>36</u>
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2015, 2014 and 2013</u>	<u>37</u>
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013</u>	<u>38</u>
<u>Notes to Consolidated Financial Statements</u>	<u>39</u>

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WESCO International, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive (loss) income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of WESCO International, Inc. and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
February 22, 2016

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2015	2014
	(In thousands, except share data)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 160,279	\$ 128,319
Trade accounts receivable, net of allowance for doubtful accounts of \$22,587 and \$21,084 in 2015 and 2014, respectively	1,075,257	1,117,420
Other accounts receivable	81,242	138,745
Inventories	810,067	819,502
Current deferred income taxes (Note 9)	8,455	35,916
Income taxes receivable	73,814	56,162
Prepaid expenses and other current assets	48,420	54,274
Total current assets	2,257,534	2,350,338
Property, buildings and equipment, net (Note 6)	166,739	182,725
Intangible assets, net (Note 3)	403,649	429,840
Goodwill (Note 3)	1,681,662	1,735,440
Deferred income taxes (Note 9)	18,221	22,414
Other assets	59,620	33,680
Total assets	\$4,587,425	\$4,754,437
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$715,519	\$765,135
Accrued payroll and benefit costs (Note 11)	51,258	67,935
Short-term debt (Note 7)	43,314	46,787
Current portion of long-term debt (Note 7)	1,025	2,343
Bank overdrafts	34,170	36,048
Income taxes payable	29,212	23,136
Other current liabilities	73,303	122,488
Total current liabilities	947,801	1,063,872
Long-term debt, net of discount of \$164,342 and \$170,367 in 2015 and 2014, respectively (Note 7)	1,456,761	1,366,430
Deferred income taxes (Note 9)	364,838	346,743
Other noncurrent liabilities	44,154	49,227
Total liabilities	\$2,813,554	\$2,826,272
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Preferred stock, \$.01 par value; 20,000,000 shares authorized, no shares issued or outstanding (Note 8)	—	—
Common stock, \$.01 par value; 210,000,000 shares authorized, 58,597,380 and 58,400,736 shares issued and 42,173,790 and 44,489,989 shares outstanding in 2015 and 2014, respectively (Note 8)	586	584
Class B nonvoting convertible common stock, \$.01 par value; 20,000,000 shares authorized, 4,339,431 issued and no shares outstanding in 2015 and 2014, respectively	43	43
Additional capital	1,117,421	1,102,369

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Retained earnings	1,854,456	1,643,914
Treasury stock, at cost; 20,763,021 and 18,250,178 shares in 2015 and 2014, respectively	(772,679)	(616,366)
Accumulated other comprehensive income	(423,155)	(201,892)
Total WESCO International stockholders' equity	1,776,672	1,928,652
Noncontrolling interest	(2,801)	(487)
Total stockholders' equity	1,773,871	1,928,165
Total liabilities and stockholders' equity	\$4,587,425	\$4,754,437

The accompanying notes are an integral part of the consolidated financial statements.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,		
	2015	2014	2013
	(In thousands, except per share data)		
Net sales	\$7,518,487	\$7,889,626	\$7,513,342
Cost of goods sold (excluding depreciation and amortization below)	6,024,826	6,278,584	5,967,892
Selling, general and administrative expenses	1,054,951	1,076,808	996,810
Depreciation and amortization	64,968	68,017	67,642
Income from operations	373,742	466,217	480,998
Interest expense, net	69,832	82,064	85,607
Loss on debt extinguishment (Note 7)	—	—	13,225
Loss on sale of business	—	—	2,315
Income before income taxes	303,910	384,153	379,851
Provision for income taxes (Note 9)	95,537	108,716	103,333
Net income	208,373	275,437	276,518
Less: Net (loss) income attributable to noncontrolling interest	(2,314	) (469	) 88
Net income attributable to WESCO International, Inc.	\$210,687	\$275,906	\$276,430
Other comprehensive (loss) income:			
Foreign currency translation adjustment	(225,795	) (120,293	) (83,172
Post retirement benefit plan adjustment (Note 11)	4,532	(5,056	) 7,673
Comprehensive (loss) income attributable to WESCO International, Inc.	\$(10,576	) \$150,557	\$200,931
Earnings per share attributable to WESCO International, Inc. (Note 10)			
Basic	\$4.85	\$6.21	\$6.26
Diluted	\$4.18	\$5.18	\$5.25

The accompanying notes are an integral part of the consolidated financial statements.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Class B Common Stock	Additional	Retained	Treasury Stock		Noncontrolling	Accumulated Other Comprehensive Income
(In thousands)	Amount	Shares	Amount	Capital	Earnings (Deficit)	Amount	Shares	Interest	(Loss)
Balance, December 31, 2012	\$579	57,824,548	\$43 4,339,431	\$1,065,550	\$1,092,719	\$(604,050)	(18,102,528)	\$(106)	\$(1,044)
Exercise of stock-based awards, including tax benefit of \$2,022	3	304,441		2,052		(6,380)	(76,747)		
Stock-based compensation expense				15,917					
Conversion of 2029 debentures	(1)	425		(2)					
Tax withholding related to vesting of restricted stock units and retirement of common stock	—	(22,110)		(745)	(763)				
Noncontrolling interest								88	
Net income					276,430				
Translation adjustment									(83,172)
Benefit plan adjustments, net of tax effect of \$2,244									7,673
Balance, December 31, 2013	\$581	58,107,304	\$43 4,339,431	\$1,082,772	\$1,368,386	\$(610,430)	(18,179,275)	\$(18)	\$(76,543)
Exercise of stock-based awards, including tax	3	308,399		5,741		(5,936)	(70,903)		

benefit of \$4,899										
Stock-based compensation expense					14,766					
Conversion of 2029 debentures	—	134			(1)				
Tax withholding related to vesting of restricted stock units and retirement of common stock	—	(15,101	)		(909	)	(378)		
Noncontrolling interest									(469)
Net income						275,906				
Translation adjustment										(120,293
Benefit plan adjustments, net of tax effect of \$2,447										(5,056
Balance, December 31, 2014	\$584	58,400,736	\$43	4,339,431	\$1,102,369	\$1,643,914	\$(616,366)	(18,250,178)	\$(487	) \$(201,892
Exercise of stock-based awards, including tax benefit of \$1,403	2	230,206			1,344		(3,300	)	(44,267)
Stock-based compensation expense					12,899					
Conversion of 2029 debentures	—	427			(2)				
Repurchase of common stock					3,013		(153,013	)	(2,468,576)
Tax withholding related to vesting of restricted stock units and retirement of common stock	—	(33,989	)		(2,202	)	(145)		

Noncontrolling interest										(2,314)
Net income					210,687					
Translation adjustment										(225,795)
Benefit plan adjustments, net of tax effect of \$1,661										4,532
Balance, December 31, 2015	\$586	58,597,380	\$43	4,339,431	\$1,117,421	\$1,854,456	\$(772,679)	(20,763,021)	\$(2,801)	\$(423,155)

The accompanying notes are an integral part of the consolidated financial statements.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
	(In thousands)		
Operating Activities:			
Net income	\$208,373	\$275,437	\$276,518
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	64,968	68,017	67,642
Stock-based compensation expense	12,899	14,766	15,917
Amortization of debt issuance costs	6,120	4,426	4,880
Amortization of debt discount	6,075	4,136	4,308
Loss on debt extinguishment	—	—	13,229
Gain on sale of property, buildings and equipment	(45	) (7,733	) (4,174
(Gain) loss on sale of businesses	(1,319	) —	2,315
Excess tax benefit from stock-based compensation	(1,569	) (5,705	) (3,631
Interest related to uncertain tax positions, net	(8,739	) 964	599
Deferred income taxes	42,850	4,979	20,634
Changes in assets and liabilities:			
Trade receivables, net	40,102	(89,029	) (30,464
Other accounts receivable	57,242	(11,659	) (42,983
Inventories, net	2,410	(36,847	) (9,339
Prepaid expenses and other assets	(8,517	) (27,020	) (19,196
Accounts payable	(55,914	) 37,587	37,789
Accrued payroll and benefit costs	(15,015	) 7,619	(19,163
Other current and noncurrent liabilities	(66,872	) 11,218	260
Net cash provided by operating activities	283,049	251,156	315,141
Investing Activities:			
Capital expenditures	(21,658	) (20,548	) (27,825
Acquisition payments, net of cash acquired	(151,595	) (138,630) —
Proceeds from sale of assets	3,023	14,991	10,807
Other investing activities	—	—	(1,205
Net cash used in investing activities	(170,230	) (144,187	) (18,223
Financing Activities:			
Proceeds from issuance of short-term debt	102,033	71,308	72,895
Repayments of short-term debt	(101,353	) (57,827	) (58,288
Proceeds from issuance of long-term debt	1,528,578	1,168,580	1,429,956
Repayments of long-term debt	(1,435,820	) (1,244,173	) (1,682,189
Repayment of deferred acquisition payable	—	(29,395) —
Debt issuance costs	(3,359	) (472	) (12,222
Proceeds from the exercise of stock options	—	838	30
Excess tax benefit from stock-based compensation	1,569	5,705	3,631
Repurchase of common stock (Note 10)	(155,805	) (7,222	) (7,890
Decrease in bank overdrafts	(2,013	) (1,258	) (1,954
Payments on capital lease obligations	(1,645	) (1,574	) (1,488
Net cash used in financing activities	(67,815	) (95,490	) (257,519
Effect of exchange rate changes on cash and cash equivalents	(13,044) (6,885) (1,773

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Net change in cash and cash equivalents	31,960	4,594	37,626
Cash and cash equivalents at the beginning of period	128,319	123,725	86,099
Cash and cash equivalents at the end of period	\$ 160,279	\$ 128,319	\$ 123,725
Supplemental disclosures:			
Cash paid for interest	\$66,342	\$74,016	\$75,462
Cash paid for taxes	74,213	107,147	90,678
Non-cash investing and financing activities:			
Property, buildings and equipment acquired through capital leases	288	1,091	1,970

The accompanying notes are an integral part of the consolidated financial statements.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

WESCO International, Inc. ("WESCO International") and its subsidiaries (collectively, "WESCO"), headquartered in Pittsburgh, Pennsylvania, is a full-line distributor of electrical, industrial and communications maintenance, repair and operating ("MRO") and original equipment manufacturers ("OEM") products, construction materials, and advanced supply chain management and logistics services used primarily in the industrial, construction, utility and commercial, institutional and government markets. We serve over 80,000 active customers globally through approximately 500 full service branches primarily located in North America, with operations in 14 additional countries, and nine distribution centers located in the United States and Canada.

2. ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of WESCO International, Inc. and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revision

The Consolidated Statements of Stockholders' Equity for the years ended December 31, 2014 and 2013 include certain reclassifications to previously reported amounts to conform to the current period presentation. Specifically, treasury stock and related shares that were previously reported as tax withholding related to vesting of restricted units and retirement of common stock are presented herein as a component of the exercise of stock-based awards. Additionally, the Consolidated Balance Sheet at December 31, 2014, as presented herein, separately reports income taxes payable. Previously, the amount of income taxes payable was reported as a component of other current liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions WESCO may undertake in the future, actual results may ultimately differ from the estimates.

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. In the case of stock sales and special orders, a sale occurs at the time of shipment from WESCO's distribution point, as the terms of WESCO's sales are typically FOB shipping point. In cases where WESCO processes customer orders but ships directly from its suppliers, revenue is recognized once product is shipped and title has passed. In all cases, revenue is recognized once the sales price to the customer is fixed or is determinable and WESCO has reasonable assurance as to the collectability.

In certain customer arrangements, WESCO provides services such as inventory management. WESCO may perform some or all of the following services for customers: determine inventory stocking levels; establish inventory reorder points; launch purchase orders; receive material; pack away material; and pick material for order fulfillment. WESCO recognizes revenue for services rendered during the period based upon a previously negotiated fee arrangement. WESCO also sells inventory to these customers and recognizes revenue at the time title and risk of loss transfers to the customer. The amount of revenue attributed to these services totaled \$35.1 million, \$31.0 million, and \$24.2 million in 2015, 2014 and 2013, respectively.

Selling, General and Administrative Expenses

WESCO includes warehousing, purchasing, branch operations, information services, and marketing and selling expenses in this category, as well as other types of general and administrative costs.

Supplier Volume Rebates

WESCO receives volume rebates from certain suppliers based on contractual arrangements with such suppliers. Volume rebates are included within other accounts receivable in the Consolidated Balance Sheets, and represent the

estimated amounts due to WESCO under the rebate provisions of the various supplier contracts. 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. Receivables under the supplier rebate program were \$62.6 million at December 31, 2015 and \$82.6 million at December 31, 2014. Supplier volume rebate rates have historically ranged between approximately 0.9% and 1.4% of sales depending on market conditions. In 2015, the rebate rate was 1.0%.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Shipping and Handling Costs and Fees

WESCO records the costs and fees associated with transporting its products to customers as a component of selling, general and administrative expenses. These costs totaled \$59.4 million, \$63.6 million and \$63.8 million in 2015, 2014 and 2013, respectively.

Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less when purchased.

Asset Securitization

WESCO maintains control of the receivables transferred pursuant to its accounts receivable securitization program (the “Receivables Facility”); therefore, the transfers do not qualify for “sale” treatment. As a result, the transferred receivables remain on the balance sheet, and WESCO recognizes the related secured borrowing. The expenses associated with the Receivables Facility are reported as interest expense in the Consolidated Statements of Income and Comprehensive Income (Loss).

Allowance for Doubtful Accounts

WESCO maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. WESCO has a systematic procedure using estimates based on historical data and reasonable assumptions of collectability made at the local branch level and on a consolidated corporate basis to calculate the allowance for doubtful accounts. If the financial condition of WESCO’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for doubtful accounts was \$22.6 million at December 31, 2015 and \$21.1 million at December 31, 2014. The total amount recorded as selling, general and administrative expense related to bad debts was \$6.1 million, \$5.9 million and \$2.9 million for 2015, 2014 and 2013, respectively.

Inventories

Inventories primarily consist of merchandise purchased for resale and are stated at the lower of cost or market. Cost is determined principally under the average cost method. WESCO makes provisions for obsolete or slow-moving inventories as necessary to reflect reduction in inventory value. WESCO writes down its inventory to its net realizable value based on internal factors derived from historical analysis of actual losses. Retrospectively, WESCO identifies items at risk of becoming obsolete, which are defined as excess of 36 months supply relative to demand or movement. WESCO then analyzes the ultimate disposition of previously identified excess inventory items when they are sold, returned to supplier, or scrapped. This item by item analysis allows WESCO to develop an estimate of the historical likelihood that an item identified as being in excess supply ultimately becomes obsolete. WESCO applies the estimate to inventory items currently in excess of 36 months supply, and reduces its inventory carrying value by the derived amount. Reserves for excess and obsolete inventories were \$24.7 million and \$19.9 million at December 31, 2015 and 2014, respectively. The total expense related to excess and obsolete inventories, included in cost of goods sold, was \$8.6 million, \$6.2 million and \$7.5 million for 2015, 2014 and 2013, respectively. WESCO absorbs into the cost of inventory certain overhead expenses related to inventory such as purchasing, receiving and storage and at December 31, 2015 and 2014, \$65.0 million and \$62.5 million, respectively, of these costs were included in ending inventory.

Other Assets

WESCO amortizes deferred financing fees over the term of the various debt instruments. Deferred financing fees in the amount of \$3.4 million were incurred during the year ending December 31, 2015. As of December 31, 2015 and 2014, the amount of other assets related to unamortized deferred financing fees was \$17.7 million and \$20.7 million, respectively.

Property, Buildings and Equipment

Property, buildings and equipment are recorded at cost. Depreciation expense is determined using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over either their respective lease terms or their estimated lives, whichever is shorter. Estimated useful lives range from five to forty

years for leasehold improvements and buildings and three to ten years for furniture, fixtures and equipment. Capitalized computer software costs are amortized using the straight-line method over the estimated useful life, typically three to five years, and are reported at the lower of unamortized cost or net realizable value. Expenditures for new facilities and improvements that extend the useful life of an asset are capitalized. Ordinary repairs and maintenance are expensed as incurred. When property is retired or otherwise disposed of, the cost and the related accumulated

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

depreciation are removed from the accounts and any related gains or losses are recorded and reported as selling, general and administrative expenses.

WESCO assesses its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of any such assets may not be fully recoverable. Changes in circumstances include technological advances, changes in our business model, capital structure, economic conditions or operating performance. Our evaluation is based upon, among other things, utilization, serviceability and our assumptions about the estimated future undiscounted cash flows these assets are expected to generate. When the sum of the undiscounted cash flows is less than the carrying value of the asset or asset group, we will recognize an impairment loss to the extent that carrying value exceeds fair value. We apply our best judgment when performing these evaluations.

Upon closure of any branch, asset usefulness and remaining life are evaluated and charges are taken as appropriate. Of WESCO's \$166.7 million net book value of property, plant and equipment as of December 31, 2015, \$100.8 million consists of land, buildings and leasehold improvements and are geographically dispersed among WESCO's 500 branches and nine distribution centers, mitigating the risk of impairment. Approximately \$30.9 million of assets consist of computer equipment and capitalized software and are evaluated for use and serviceability relative to carrying value. The remaining fixed assets, mainly furniture and fixtures, warehousing equipment and transportation equipment, are similarly evaluated for serviceability and use.

Goodwill and Indefinite-Lived Intangible Assets

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the fourth quarter using information available at the end of September, or more frequently if triggering events occur indicating that their carrying value may not be recoverable. WESCO tests for goodwill impairment on a reporting unit level and the evaluation involves comparing the fair value of each reporting unit with its carrying value. The fair values of the reporting units are determined using a combination of a discounted cash flow analysis and market multiples. Assumptions used for these fair value techniques are based on a combination of historical results, current forecasts, market data and recent economic events. WESCO evaluates the recoverability of indefinite-lived intangible assets using a discounted cash flow analysis based on projected financial information. The determination of fair value involves significant management judgment and could be negatively affected by the current weak market conditions, including the challenging macroeconomic indicators in the markets in which WESCO operates and those where its customers are based. Management applies its best judgment when assessing the reasonableness of financial projections. At December 31, 2015 and 2014, goodwill and indefinite-lived trademarks totaled \$1,773.6 million and \$1,840.0 million, respectively.

The estimated fair values of most of WESCO's reporting units were at least 25% greater than their respective carrying values. One reporting unit with goodwill of \$186.7 million had a fair value that was approximately 5% greater than its carrying value. In performing the quantitative assessment for this reporting unit, management used revenue growth rates of 2.9% to 5.7%, a terminal growth rate of 3% and a discount rate of 9.3%. Management believes that the terminal growth rate is supported by WESCO's historical growth rate, near-term projections and long-term expected market growth. The discount rate reflects marketplace participants' cost of capital. Had management used a discount rate that was 25 basis points higher or a terminal growth rate that was 25 basis points lower than those assumed, the fair value of this reporting unit would have continued to exceed its carrying amount.

A possible indicator of goodwill impairment is the relationship of a company's market capitalization to its book value. As of December 31, 2015, WESCO's market capitalization exceeded its book value and there were no impairment losses identified as a result of our annual test. Fair value determinations require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill and indefinite-lived intangible impairment test will prove to be an accurate prediction of future results.

Definite Lived Intangible Assets

Intangible assets are amortized over 2 to 20 years. A portion of intangible assets related to certain customer relationships are amortized using an accelerated method whereas all other intangible assets subject to amortization use a straight-line method that reflects the pattern in which the economic benefits of the respective assets are consumed or otherwise used. Intangible assets are tested for impairment if events or circumstances occur indicating that the respective asset might be impaired.

Insurance Programs

WESCO uses commercial insurance for auto, workers' compensation, casualty and health claims as a risk-reduction strategy to minimize catastrophic losses. The Company's strategy involves large deductible policies where WESCO must pay all costs up to the deductible amount. WESCO estimates the reserve based on historical incident rates and costs. The assumptions

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included in developing this accrual include the period of time from incurrence of a claim until the claim is paid by the insurance provider. The total liability related to the insurance programs was \$9.8 million and \$12.1 million at December 31, 2015 and 2014, respectively.

Income Taxes

WESCO accounts for income taxes under the asset and liability method, which requires the recognition of deferred income taxes for events that have future tax consequences. Under this method, deferred income taxes are recognized (using enacted tax laws and rates) based on the future income tax effects of differences in the carrying amounts of assets and liabilities for financial reporting and tax purposes. The effect of a tax rate change on deferred tax assets and liabilities is recognized in income in the period of change.

WESCO recognizes deferred tax assets at amounts that are expected to be realized. To make such determination, management evaluates all positive and negative evidence, including but not limited to, prior, current and future taxable income, tax planning strategies and future reversals of existing temporary differences. A valuation allowance is recognized if it is "more likely than not" that some or all of a deferred tax asset will not be realized. WESCO regularly assesses the realizability of deferred tax assets.

No provision is made for undistributed earnings that are considered to be permanently reinvested to fund growth in foreign markets.

We account for uncertainty in income taxes using a "more-likely-than-not" recognition threshold. Due to the subjectivity inherent in the evaluation of uncertain tax positions, the tax benefit ultimately recognized may materially differ from our estimate. We recognize interest related to uncertain tax benefits as part of interest expense. We recognize penalties related to uncertain tax benefits as part of income tax expense.

Convertible Debentures

WESCO separately accounts for the liability and equity components of its convertible debentures in a manner that reflects its non-convertible debt borrowing rate. WESCO estimates its non-convertible debt borrowing rate through a combination of discussions with its financial institutions and review of relevant market data. The discounts to the convertible note balances are amortized to interest expense, using the effective interest method, over the implicit life of the Debentures.

Foreign Currency

The local currency is the functional currency for the majority of WESCO's operations outside the United States. Assets and liabilities of these operations are translated to U.S. dollars at the exchange rate in effect at the end of each period. Income statement accounts are translated at an exchange rate that approximates the average for the period. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of other comprehensive income (loss) within stockholders' equity. Gains and losses from foreign currency transactions are included in net income for the period.

Defined Benefit Pension Plan

In connection with the December 14, 2012 acquisition of EECOL, the Company assumed a contributory defined benefit plan covering substantially all Canadian employees of EECOL. The plan provides retirement benefits based on earnings and credited service, and participants contribute 2% of their earnings to the plan.

The Company also assumed EECOL's Supplemental Executive Retirement Plan (SERP), which provides additional pension benefits to certain executives based on earnings, credited service, and executive service. Participants in the SERP contribute 4% of their earnings to the SERP.

Liabilities and expenses for pension benefits are determined using actuarial methodologies and incorporate significant assumptions, including the interest rate used to discount the future estimated cash flows, the expected long-term rate of return on plan assets, and several assumptions relating to the employee workforce (salary increases, retirement age, and mortality).

The interest rate used to discount future estimated cash flows is determined using a high quality corporate bonds yield curve model developed with the assistance of an external actuary. The cash flows of the plans' projected benefit

obligations are discounted using a single equivalent rate derived from yields on high quality corporate bonds. The yield curve model parallels the plans' projected cash flows. The discount rate used to determine benefit obligations for the Canadian pension was 4.2% in 2015. An increase in the discount rate of one quarter percent would decrease the projected benefit obligation by \$4.3 million, and a decrease in the discount rate of one quarter percent would increase the projected benefit obligation by \$4.8 million. The

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impact of a change in the discount rate of one quarter percent would be either a charge or credit of \$0.3 million to earnings in the following year.

The expected long-term rate of return on plan assets is applied to the fair market-related value of plan assets.

Stock-Based Compensation

WESCO's stock-based employee compensation plans are comprised of stock-settled stock appreciation rights, restricted stock units, and performance-based awards. Compensation cost for all stock-based awards is measured at fair value on the date of grant, and compensation cost is recognized, net of forfeitures, over the service period for awards expected to vest. The fair value of stock-settled appreciation rights and performance-based awards with market conditions is determined using the Black-Scholes and Monte Carlo simulation models, respectively. The fair value of restricted stock units with service conditions and performance-based awards with performance conditions is determined by the grant-date closing price of WESCO's common stock. Expected volatilities are based on historical volatility of our common stock. WESCO estimates the expected life of stock-settled stock appreciation rights using historical data pertaining to option exercises and employee terminations. The risk-free rate is based on the U.S.

Treasury yields in effect at the time of grant. The forfeiture assumption is based on our historical employee behavior, which we review on an annual basis. No dividends are assumed for stock-based awards.

Treasury Stock

Common stock purchased for treasury is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock, with cost determined on a weighted-average basis.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and other accrued liabilities, and outstanding indebtedness. The estimated fair value of the Company's outstanding indebtedness described in Note 7 at December 31, 2015 and 2014 was \$1,821.2 million and \$2,177.6 million, respectively. At December 31, 2015 and 2014, the fair value of WESCO's 2029 Debentures was \$514.2 million and \$936.1 million, respectively. The reported carrying amounts of WESCO's other debt instruments approximate their fair values. The Company uses a market approach to fair value all of its debt instruments, utilizing quoted prices in active markets, interest rates and other relevant information generated by market transactions involving similar instruments. For all of the Company's remaining financial instruments, carrying values are considered to approximate fair value due to their short maturities.

Environmental Expenditures

WESCO has facilities and operations that distribute certain products that must comply with environmental regulations and laws. Expenditures for current operations are expensed or capitalized, as appropriate. Expenditures relating to existing conditions caused by past operations, and that do not contribute to future revenue, are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated.

Recently Adopted Accounting Pronouncements

None.

Recently Issued Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued updated guidance to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. The practical expedient criteria differ from the criteria used to categorize other fair value measurements within the hierarchy. Currently, investments valued using the practical expedient are categorized within the fair value hierarchy on the basis of whether the investment is redeemable with the investee at NAV on the measurement date, never redeemable with the investee at NAV, or redeemable with the investee at NAV at a future date. Under this updated guidance, investments for which fair value is measured at NAV per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. A reporting entity should continue to disclose information on investments for which fair value is measured at net asset value (or its equivalent) as a practical expedient to help users understand the nature and risks of the investments and whether the

investments, if sold, are probable of being sold at amounts different from net asset value. The guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, and should be applied retrospectively. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. Management has not yet evaluated the future impact of this guidance on WESCO's consolidated financial statements and notes thereto.

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In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of Effective Date. The Company previously reported that in May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides a framework for addressing revenue recognition issues and replaces almost all existing revenue recognition guidance in current U.S. generally accepted accounting principles. The core principle of ASU 2014-09 is for companies to recognize revenue for the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The amendments in ASU 2015-14 defer the effective date of the new revenue recognition guidance to annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted to the original effective date of December 15, 2016, including interim periods within that reporting period. Management is currently evaluating the future impact of this guidance on WESCO's consolidated financial statements and notes thereto.

In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The Company previously reported that in April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, which simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The amendments in ASU 2015-15 address the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements such that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-15 and ASU 2015-03 are effective for financial statements of public business entities issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The adoption of this guidance is not expected to have a material impact on WESCO's financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this ASU require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined; calculated as if the accounting had been completed at the acquisition date. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments in this ASU should be applied prospectively with earlier application permitted for financial statements that have not been issued. The adoption of this guidance will not have a material impact on WESCO's financial position, results of operations or cash flows.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. This ASU is part of the FASB's simplification initiative directed at reducing complexity in accounting standards. To simplify presentation, the new guidance requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The guidance does not change the existing requirement that only permits offsetting within a jurisdiction. For public business entities, the amendments are effective in fiscal years beginning after December 15, 2016, including interim periods within those years. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The guidance may be applied either prospectively, for all deferred tax assets and liabilities, or retrospectively (i.e., reclassifying the comparative balance sheet). Management is currently evaluating the impact of this accounting standard on the Company's consolidated financial statements and notes thereto, and expects to adopt this guidance in the fiscal year ending December 31, 2016.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to WESCO's financial position, results of operations or cash flows.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

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3. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The following table sets forth the changes in the carrying amount of goodwill:

	Year Ended December 31,	
	2015	2014
	(In thousands)	
Beginning balance January 1	\$1,735,440	\$1,734,391
Foreign currency exchange rate changes	(113,719)	(61,347)
Additions to goodwill for acquisitions	59,941	62,396
Ending balance December 31	\$1,681,662	\$1,735,440

WESCO has never recorded an impairment loss related to goodwill.

Intangible Assets

The components of intangible assets are as follows:

	December 31, 2015			December 31, 2014			
Life	Gross Carrying Amount (1)	Accumulated Amortization (1)	Net Carrying Amount	Gross Carrying Amount (1)	Accumulated Amortization (1)	Net Carrying Amount	
	(In thousands)						
Intangible assets:							
Trademarks	Indefinite	\$91,945	\$—	\$91,945	\$104,532	\$—	\$104,532
Trademarks	4-15	22,793	(1,581)	21,212	5,085	(594)	4,491
Non-compete agreements	2-7	429	(201)	228	295	(95)	200
Customer relationships	2-20	339,820	(95,634)	244,186	342,224	(76,267)	265,957
Distribution agreements	10-19	38,726	(16,595)	22,131	40,222	(14,340)	25,882
Patents	10	48,310	(24,363)	23,947	48,310	(19,532)	28,778
		\$542,023	\$(138,374)	\$403,649	\$540,668	\$(110,828)	\$429,840

(1) Excludes the original cost and accumulated amortization of fully-amortized intangible assets.

Amortization expense related to intangible assets totaled \$36.9 million, \$39.0 million and \$38.6 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The following table sets forth the estimated amortization expense for intangibles for the next five years:

	Estimated Amortization Expense (In thousands)
For the year ended December 31,	
2016	\$36,795
2017	35,970
2018	34,539
2019	33,341
2020	30,291

WESCO has never recorded an impairment loss related to intangible assets.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

4. CONCENTRATIONS OF CREDIT RISK AND SIGNIFICANT SUPPLIERS

WESCO distributes its products and services and extends credit to a large number of customers in the industrial, construction, utility, commercial, institutional, and governmental markets. Therefore, WESCO could potentially incur risk due to supplier concentration. Our largest supplier is Eaton Corporation, accounting for approximately 11% of our purchases in 2015 and 12% in 2014 and 2013, respectively. Based upon WESCO's broad customer base, the Company has concluded that it has no material credit risk as a result of customer concentration.

5. ACQUISITIONS

The following table sets forth the consideration paid for acquisitions:

Year Ended December 31, (In thousands)	2015	2014	2013
Details of acquisitions:			
Fair value of assets acquired	\$ 192,099	\$ 153,597	\$—
Fair value of liabilities assumed	(39,836)	(19,772))—
Cash paid for acquisitions	\$ 152,263	\$ 133,825	\$—
Supplemental cash flow disclosure related to acquisitions:			
Cash paid for acquisitions	\$ 152,263	\$ 133,825	\$—
Less: cash acquired	(668))—	—
Cash paid for acquisitions, net of cash acquired	\$ 151,595	\$ 133,825	\$—

The fair values of assets acquired and liabilities assumed during the year ended December 31, 2015, which are primarily for the acquisitions of Hill Country Electric Supply, LP ("Hill Country") and Needham Electric Supply Corporation ("Needham"), are based upon preliminary calculations and valuations. WESCO's estimates and assumptions for its preliminary purchase price allocations are subject to change as it obtains additional information for its estimates during the respective measurement periods (up to one year from the respective acquisition dates).

Acquisition of Needham Electric Supply Corporation

On October 30, 2015, WESCO Distribution, Inc. completed the acquisition of Needham, an electrical distributor focused on the commercial construction and lighting national account markets from 24 locations in Massachusetts, New Hampshire and Vermont with approximately \$115 million in annual sales. WESCO funded the purchase price paid at closing with cash and borrowings under its Revolving Credit Facility. The purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. The preliminary fair value of intangibles was estimated by management and the allocation resulted in intangible assets of \$31.0 million and goodwill of \$35.7 million. The intangible assets include customer relationships of \$24.5 million amortized over 12 and 14 years, and trademarks of \$6.5 million amortized over 13 years. No residual value is estimated for the intangible assets being amortized. Management believes that the majority of goodwill is deductible for tax purposes.

Acquisition of Hill Country Electric Supply, LP

On May 1, 2015, WESCO Distribution, Inc. completed the acquisition of Hill Country, an electrical distributor focused on the commercial construction market from nine locations in Central and South Texas with approximately \$140 million in annual sales. WESCO funded the purchase price paid at closing with borrowings under its prior revolving credit facility. The purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. The preliminary fair value of intangibles was estimated by management and the allocation resulted in intangible assets of \$21.1 million and goodwill of \$15.8 million. The intangible assets include customer relationships of \$13.1 million amortized over 11 years, non-compete agreements of \$0.2 million amortized over 5 years, and trademarks of \$7.8 million amortized over 12 years. No residual value is estimated for the intangible assets being amortized. Management believes that the majority of goodwill is deductible for tax purposes.

Acquisitions of LaPrairie, Inc., Hazmasters, Inc. and Hi-Line Utility Supply

On February 1, 2014, WESCO Distribution, Inc., through its wholly-owned Canadian subsidiary, completed the acquisition of LaPrairie, Inc. ("LaPrairie"), a wholesale distributor of electrical products with approximately \$30 million in annual sales servicing the transmission, distribution, and substation needs of utilities and utility contractors from a single location in Newmarket, Ontario. WESCO funded the purchase price paid at closing with cash. The purchase price was allocated to the

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respective assets and liabilities based upon their estimated fair values as of the acquisition date. The fair value of intangibles was determined by management and the allocation resulted in intangible assets of \$11.0 million and goodwill of \$8.9 million. The majority of goodwill is deductible for tax purposes.

On March 17, 2014, WESCO Distribution, Inc., through its wholly-owned Canadian subsidiary, completed the acquisition of Hazmasters, Inc. ("Hazmasters"), a leading independent Canadian distributor of safety products with approximately \$80 million in annual sales servicing customers in the industrial, construction, commercial, institution, and government markets from 14 branches across Canada. WESCO funded the purchase price paid at closing with cash and borrowings under its prior revolving credit facility. The purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. The fair value of intangibles was estimated by management and the allocation resulted in intangible assets of \$28.1 million and goodwill of \$29.5 million, which is not deductible for tax purposes.

On June 11, 2014, WESCO Distribution, Inc., completed the acquisition of Hi-Line Utility Supply ("Hi-Line"), a provider of utility MRO and safety products, as well as rubber goods testing and certification services, with approximately \$30 million in annual sales from locations in Chicago, Illinois and Millbury, Massachusetts. WESCO funded the purchase price paid at closing with cash. The purchase price was allocated to the respective assets and liabilities based upon their estimated fair values as of the acquisition date. The fair value of intangibles was estimated by management and the allocation resulted in intangible assets of \$14.2 million and goodwill of \$24.0 million. The majority of goodwill is deductible for tax purposes.

For the acquisitions of LaPrairie, Hazmasters, and Hi-Line that were made in 2014, the intangible assets include customer relationships of \$38.9 million amortized over 2 to 12 years, supplier relationships of \$3.2 million amortized over 10 years, trademarks of \$10.9 million, and other intangibles of \$0.3 million. Certain trademarks have been assigned an indefinite life while others are amortized over 5 years and 10 years. No residual value is estimated for the intangible assets being amortized.

6. PROPERTY, BUILDINGS AND EQUIPMENT

The following table sets forth the components of property, buildings and equipment:

	As of December 31,	
	2015	2014
	(In thousands)	
Buildings and leasehold improvements	\$118,520	\$126,465
Furniture, fixtures and equipment	176,247	176,302
Software costs	86,259	77,288
	381,026	380,055
Accumulated depreciation and amortization	(243,005	) (229,196
	138,021	150,859
Land	26,121	30,818
Construction in progress	2,597	1,048
	\$166,739	\$182,725

Depreciation expense was \$17.8 million, \$18.5 million and \$18.2 million, and capitalized software amortization was \$10.3 million, \$10.5 million and \$10.8 million, in 2015, 2014 and 2013, respectively. The unamortized software cost was \$24.5 million and \$24.1 million as of December 31, 2015 and 2014, respectively. Furniture, fixtures and equipment include capitalized leases of \$12.5 million and \$13.2 million and related accumulated amortization of \$8.3 million and \$7.3 million as of December 31, 2015 and 2014, respectively.

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7. DEBT

The following table sets forth WESCO's outstanding indebtedness:

	As of December 31,	
	2015	2014
	(In thousands)	
Term Loan Facility, less debt discount of \$1,026 and \$3,110 in 2015 and 2014, respectively	\$173,724	\$249,235
5.375% Senior Notes due 2021	500,000	500,000
Accounts Receivable Securitization Facility	525,000	430,000
Revolving Credit Facility	75,000	8,000
International lines of credit	43,314	46,787
6.0% Convertible Senior Debentures due 2029, less debt discount of \$163,316 and \$167,257 in 2015 and 2014, respectively	181,557	177,638
Capital leases	2,505	3,891
Other notes	—	9
Total debt	1,501,100	1,415,560
Less current and short-term portion	(44,339	) (49,130
Total long-term debt	\$1,456,761	\$1,366,430

Term Loan Facility

On December 12, 2012, WESCO Distribution, as U.S. borrower, WDCC Enterprises Inc. ("WDCC" and together with WESCO Distribution, the "Borrowers"), as Canadian borrower, and WESCO International entered into a Term Loan Agreement (the "Term Loan Agreement") among WESCO Distribution, WDCC, the Company, the lenders party thereto and Credit Suisse AG Cayman Islands Branch, as administrative agent and as collateral agent.

The Term Loan Agreement provided a seven-year term loan facility (the "Term Loan Facility"), which consisted of two separate sub-facilities: (i) a Canadian sub-facility in an aggregate principal amount of CAD \$150 million, issued at a 2.0% discount and (ii) a U.S. sub-facility in an aggregate principal amount of \$700 million, issued at a 1.0% discount. The proceeds of the Term Loan Facility were used to finance the acquisition of EECOL, and to pay fees and expenses incurred in connection with the acquisition and certain other transactions. Subject to the terms of the Term Loan Agreement, the Borrowers may request incremental term loans from time to time in an aggregate principal amount not to exceed at any time \$300 million, with an equivalent principal amount in U.S. Dollars being calculated for any incremental term loan denominated in Canadian Dollars.

On November 19, 2013, the Borrowers and WESCO International entered into an amendment (the "Term Loan Amendment") to the Term Loan Agreement. The Term Loan Amendment, among other things, reduced the applicable margin on U.S. term loans by 0.50% and the LIBOR floor applicable to the U.S. sub-facility from 1.00% to 0.75%.

The modified pricing terms were effective December 13, 2013.

On November 26, 2013, WESCO Distribution sold \$500 million aggregate principal amount of 5.375% Senior Notes due 2021 (the "2021 Notes"), and used the net proceeds plus excess cash to prepay \$500 million under the Company's U.S. sub-facility of the Term Loan Facility (see discussion below under "5.375% Senior Notes due 2021" for additional information). The prepayment satisfied all remaining quarterly repayment obligations under the U.S. sub-facility. As a result, the Company recorded a non-cash pre-tax loss on debt extinguishment of \$13.2 million in the fourth quarter of 2013. WESCO will amortize the remaining debt discount and financing costs over the life of the instrument. As of December 31, 2015, the amount outstanding under the U.S. sub-facility was \$174.8 million. The Canadian sub-facility was fully repaid in 2015 using cash provided by Canadian operations.

Borrowings under the Term Loan Facility bear interest at base rates plus applicable margins. At December 31, 2015, the interest rate on borrowings under the U.S. sub-facility was 3.75%. At December 31, 2014, the interest rates on borrowings under the Canadian and U.S. sub-facilities were approximately 5.3% and 3.75%, respectively. To the

extent not previously paid, the outstanding U.S. sub-facility will become due and payable on December 12, 2019, with any unpaid incremental term loans becoming due and payable on the respective maturity dates applicable to those incremental term loans. At any time or from time to time, the Borrowers may prepay borrowings under the Term Loan Facility in whole or in part without premium or penalty. The Borrowers' obligations under the Term Loan Facility are secured by substantially all of the assets of the Borrowers, the

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

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Company and certain of the Company's other subsidiaries; provided that, with respect to borrowings under the U.S. sub-facility, the collateral does not include assets of certain foreign subsidiaries or more than 65% of the issued and outstanding equity interests in certain foreign subsidiaries.

The Term Loan Facility contains customary affirmative and negative covenants for credit facilities of this type. The Term Loan Facility also provides for customary events of default.

5.375% Senior Notes due 2021

In November 2013, WESCO Distribution issued \$500 million aggregate principal amount of 2021 Notes through a private offering exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The 2021 Notes were issued at 100% of par and are governed by an indenture (the "Indenture") entered into on November 26, 2013 with WESCO International and U.S. Bank National Association, as trustee. The 2021 Notes are unsecured senior obligations of WESCO Distribution and are guaranteed on a senior unsecured basis by WESCO International. The 2021 Notes bear interest at a stated rate of 5.375%, payable semi-annually in arrears on June 15 and December 15 of each year. In addition, WESCO recorded deferred financing fees related to the issuance of the 2021 Notes totaling \$8.2 million, which are being amortized over the life of the notes. The 2021 Notes mature on December 15, 2021. The net proceeds of the 2021 Notes were used to prepay a portion of the U.S. sub-facility of the term loans due 2019.

Under the terms of a registration rights agreement dated as of November 26, 2013 among WESCO Distribution, Inc., WESCO International, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the initial purchasers of the 5.375% Notes, WESCO Distribution and WESCO International agreed to register under the Securities Act notes having terms identical in all material respects to the 5.375% Notes (the "5.375% Exchange Notes") and to make an offer to exchange the 5.375% Exchange Notes for the 5.375% Notes. WESCO Distribution launched the exchange offer on June 12, 2014 and the exchange offer closed on July 17, 2014.

At any time on or after December 15, 2016, WESCO Distribution may redeem all or a part of the 2021 Notes.

Between December 15, 2016 and December 14, 2017, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 104.031% of the principal amount. Between December 15, 2017 and December 14, 2018, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 102.688% of the principal amount. Between December 15, 2018 and December 14, 2019, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 101.344% of the principal amount. On and after December 15, 2019, WESCO Distribution may redeem all or a part of the 2021 Notes at a redemption price equal to 100% of the principal amount.

The Indenture governing the 2021 Notes contains customary covenants and customary events of default. In addition, upon a change of control, the holders of 2021 Notes have the right to require WESCO Distribution to repurchase all or any part of the 2021 Notes at a redemption price equal to 101% of the principal amount, plus accrued and unpaid interest.

Mortgage Financing Facility

In 2003, WESCO finalized a mortgage financing facility of \$51.0 million. This facility was extinguished with repayments of \$26.4 million in the first quarter of 2013. The interest rate on borrowings under this facility was fixed at 6.5%.

Accounts Receivable Securitization Facility

On September 24, 2015, WESCO Distribution, Inc. amended and restated its accounts receivable securitization facility (the "Receivables Facility") pursuant to the terms and conditions of a Fourth Amended and Restated Receivables Purchase Agreement (the "Receivables Purchase Agreement"), by and among WESCO Receivables Corp. ("WESCO Receivables"), WESCO Distribution, Inc., the various purchaser groups from time to time party thereto and PNC Bank, National Association, as Administrator. The Receivables Purchase Agreement amended and restated the receivables purchase agreement entered into on April 13, 2009.

The Receivables Purchase Agreement increased the purchase limit from \$500 million to \$550 million, with the opportunity to exercise an accordion feature which permits increases in the purchase limit of up to \$100 million, extended the term of the Receivables Facility to September 24, 2018 and added and amended certain defined terms. The interest rate spread and commitment fee of the Receivables Facility remained 0.95% and 0.45%, respectively. Under the Receivables Facility, WESCO sells, on a continuous basis, an undivided interest in all domestic accounts receivable to WESCO Receivables, a wholly owned special purpose entity (the "SPE"). The SPE sells, without recourse, a senior undivided interest in the receivables to financial institutions for cash while maintaining a subordinated undivided interest in the receivables, in the form of overcollateralization. WESCO has agreed to continue servicing the sold receivables for the third-party conduits and financial institutions at market rates; accordingly, no servicing asset or liability has been recorded.

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As of December 31, 2015 and 2014, accounts receivable eligible for securitization totaled approximately \$684.7 million and \$673.6 million, respectively. The Consolidated Balance Sheets as of December 31, 2015 and 2014 include \$525.0 million and \$430.0 million, respectively, of account receivable balances legally sold to third parties, as well as borrowings for equal amounts. At December 31, 2015 and 2014, the interest rate on borrowings under this facility was approximately 1.4% and 1.0%, respectively.

Revolving Credit Facility

On September 24, 2015, WESCO International, Inc., WESCO Distribution, Inc. and certain other subsidiaries of the Company entered into a \$600 million revolving credit facility (the “Revolving Credit Facility”), which contains a letter of credit sub-facility of up to \$125 million, pursuant to the terms and conditions of a Second Amended and Restated Credit Agreement (the “Credit Agreement”). The Revolving Credit Facility contains an accordion feature allowing WESCO Distribution, Inc. to request increases to the borrowing commitments, subject to customary conditions. This accordion feature increased from \$100 million to \$200 million in the aggregate. The Revolving Credit Facility replaced WESCO Distribution Inc.’s prior revolving credit facility entered into on December 12, 2012.

The Revolving Credit Facility matures in September 2020 and consists of two separate sub-facilities: (i) a Canadian sub-facility with a borrowing limit of up to \$400 million, which is collateralized by substantially all assets of WESCO Canada and the other Canadian Borrowers, other than, among other things, real property, in each case, subject to customary exceptions and limitations, and (ii) a U.S sub-facility with a borrowing limit of up to \$600 million less the amount of outstanding borrowings under the Canadian sub-facility. The U.S. sub-facility is collateralized by substantially all assets of WESCO Distribution, Inc. and its subsidiaries which are party to the Credit Agreement, other than, among other things, real property and accounts receivable sold or intended to be sold pursuant to the Receivables Purchase Agreement. The applicable interest rate for borrowings under the Revolving Credit Facility includes interest rate spreads based on available borrowing capacity that range between 1.25% and 1.75% for LIBOR-based borrowings and 0.25% and 0.75% for prime rate-based borrowings. At December 31, 2015, the interest rate on borrowings under this facility was approximately 1.7%.

The Credit Agreement requires ongoing compliance with certain customary affirmative and negative covenants. The Credit Agreement also contains customary events of default.

During 2015, WESCO borrowed \$1,276.0 million in the aggregate under the Revolving Credit Facility and the prior revolving credit agreement and made repayments in the aggregate amount of \$1,209.0 million. During 2014, aggregate borrowings and repayments were \$1,046.5 million and \$1,059.7 million, respectively. WESCO had \$438.7 million available under the Revolving Credit facility at December 31, 2015, after giving effect to outstanding letters and international lines of credit, as compared to approximately \$497.5 million at December 31, 2014.

International Lines of Credit

Certain foreign subsidiaries of WESCO have entered into uncommitted lines of credit, which serve as overdraft facilities, to support local operations. The maximum borrowing limit varies by facility and ranges between \$2.0 million and \$19.0 million. The applicable interest rate for borrowings under these lines of credit varies by country and is governed by the applicable loan agreement. The international lines of credit are renewable on an annual basis and certain facilities are fully and unconditionally guaranteed by WESCO Distribution. Accordingly, these lines directly reduce availability under the Revolving Credit Facility.

6.0% Convertible Senior Debentures due 2029

On August 27, 2009, WESCO International completed an exchange offer pursuant to which it issued \$345.0 million in aggregate principal amount of 6.0% Convertible Senior Debentures due 2029 (the “2029 Debentures”) in exchange for approximately \$299.7 million and \$57.7 million in aggregate principal amounts of its previously outstanding 1.75% Convertible Senior Debentures due 2026 and 2.625% Convertible Senior Debentures due 2025, respectively. As a result of the debt exchange, WESCO recorded a gain of \$6.0 million, which included the write-off of debt issuance costs. The 2029 Debentures were issued pursuant to an Indenture dated August 27, 2009 (the “2009 Indenture”), with The Bank of New York Mellon, as trustee, and are unconditionally guaranteed on an unsecured senior subordinate

basis by WESCO Distribution.

WESCO separately accounts for the liability and equity components of its 2029 Debentures in a manner that reflects its non-convertible debt borrowing rate. WESCO utilized an interest rate of 13.875% to reflect the non-convertible debt borrowing rate of its offering upon issuance, which was determined based on discussions with its financial institutions and a review of relevant market data, and resulted in a \$181.2 million discount to the 2029 Debenture balance and a net increase in additional capital of \$106.5 million. As of December 31, 2015 and 2014, the net equity included in additional capital related to the 2029 Debentures totaled \$106.3 million, respectively. In addition, the financing costs related to the issuance of the 2029 Debentures were allocated between the debt and equity components. WESCO is amortizing the debt discount and financing costs over the life of the instrument. For the years ended December 31, 2015, 2014 and 2013, non-cash interest expense for the amortization of the

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debt discount and deferred financing fees was \$4.2 million, \$3.8 million and \$3.2 million, respectively. The amortization of the debt discount and deferred financing fees will approximate \$4.8 million in 2016, \$5.4 million in 2017, \$6.1 million in 2018, \$6.9 million in 2019, and \$7.9 million in 2020.

While the 2029 Debentures accrue interest at an effective interest rate of 13.875% (as described above), the coupon interest rate of 6.0% per annum is payable in cash semi-annually in arrears on each March 15 and September 15. Beginning with the six-month period commencing September 15, 2016, WESCO International will also pay contingent interest during any six-month period in which the trading price of the 2029 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 2029 Debentures. During any six-month period when contingent interest shall be payable, the contingent interest payable per \$1,000 principal amount of 2029 Debentures will equal 0.25% of the average trading price of \$1,000 principal amount of the 2029 Debentures during the five trading days ending on the second trading day immediately preceding the first day of the applicable six-month interest period. The contingent interest feature is an embedded derivative that is not considered clearly and closely related to the host contract. Accordingly, the contingent interest component had no significant value at December 31, 2015 or 2014.

The 2029 Debentures are convertible into cash, and in certain circumstances, shares of WESCO International's common stock, \$0.01 par value, at any time on or after September 15, 2028, or prior to September 15, 2028 in certain circumstances. The 2029 Debentures will be convertible based on an initial conversion rate of 34.6433 shares of common stock per \$1,000 principal amount of the 2029 Debentures (equivalent to an initial conversion price of approximately \$28.87 per share). The conversion rate and conversion price may be adjusted under certain circumstances.

At any time on or after September 15, 2016, the Company may redeem all or a part of the 2029 Debentures plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the redemption date. If WESCO International undergoes certain fundamental changes, as defined in the 2009 Indenture, prior to maturity, holders of the 2029 Debentures will have the right, at their option, to require WESCO International to repurchase for cash some or all of their 2029 Debentures at a repurchase price equal to 100% of the principal amount of the 2029 Debentures being repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but not including, the repurchase date.

The following table sets forth the components of WESCO's outstanding convertible debenture indebtedness:

	December 31, 2015			December 31, 2014		
	Principal Balance	Discount	Net Carrying Amount	Principal Balance	Discount	Net Carrying Amount
(In thousands)						
2029 Convertible Debentures	\$344,873	\$(163,316)	\$181,557	\$344,895	\$(167,257)	\$177,638
Covenant Compliance						

WESCO was in compliance with all relevant covenants contained in its debt agreements as of December 31, 2015.

The following table sets forth the aggregate principal repayment requirements for all indebtedness for the next five years and thereafter, as of December 31, 2015:

(In thousands)	
2016	\$44,339
2017	827
2018	525,413
2019	174,951
2020	75,040
Thereafter	844,872

Total payments on debt	1,665,442	
Debt discount on convertible debentures and term loan facility	(164,342)
Total debt	\$1,501,100	

WESCO's credit agreements contain various restrictive covenants that, among other things, impose limitations on (i) dividend payments or certain other restricted payments or investments; (ii) the incurrence of additional indebtedness and

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

guarantees; (iii) creation of liens; (iv) mergers, consolidation or sales of substantially all of WESCO's assets; (v) certain transactions among affiliates; (vi) payments by certain subsidiaries to WESCO; and (vii) capital expenditures. In addition, the Revolving Credit Facility and Term Loan Facility require WESCO to meet certain fixed charge coverage tests depending on availability or liquidity, respectively.

8. CAPITAL STOCK**Preferred Stock**

There are 20 million shares of preferred stock authorized at a par value of \$.01 per share. The Board of Directors has the authority, without further action by the stockholders, to issue all authorized preferred shares in one or more series and to fix the number of shares, designations, voting powers, preferences, optional and other special rights and the restrictions or qualifications thereof. The rights, preferences, privileges and powers of each series of preferred stock may differ with respect to dividend rates, liquidation values, voting rights, conversion rights, redemption provisions and other matters.

Common Stock

There are 210 million shares of common stock and 20 million shares of Class B common stock authorized at a par value of \$.01 per share. The Class B common stock is identical to the common stock, except for voting and conversion rights. The holders of Class B common stock have no voting rights. With certain exceptions, Class B common stock may be converted, at the option of the holder, into the same number of shares of common stock.

The terms of the Revolving Credit Facility and the Term Loan Agreement provide certain restrictions on declaring or paying dividends. At December 31, 2015 and 2014, no dividends had been declared and, therefore, no retained earnings were reserved for dividend payments.

9. INCOME TAXES

The following table sets forth the components of income before income taxes by jurisdiction:

	Year Ended December 31,		
	2015	2014	2013
			(In thousands)
United States	\$288,881	\$326,934	\$338,069
Foreign	15,029	57,219	41,782
Income before income taxes	\$303,910	\$384,153	\$379,851

The following table sets forth the components of the provision (benefit) for income taxes:

	Year Ended December 31,		
	2015	2014	2013
			(In thousands)
Current taxes:			
Federal ⁽¹⁾	\$45,812	\$69,495	\$48,740
State	4,565	7,161	4,669
Foreign	2,309	27,081	29,290
Total current taxes	52,686	103,737	82,699
Deferred taxes:			
Federal	29,593	14,525	32,979
State	3,767	2,522	4,705
Foreign	9,491	(12,068)	(17,050)
Total deferred taxes	42,851	4,979	20,634
Provision for income taxes	\$95,537	\$108,716	\$103,333

(1)

Tax benefits related to stock-based awards and other equity instruments recorded directly to additional paid in capital totaled \$1.6 million, \$5.0 million and \$2.3 million in 2015, 2014 and 2013, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The following table sets forth the reconciliation between the federal statutory income tax rate and the effective tax rate:

	Year Ended December 31,			
	2015	2014	2013	
Federal statutory rate	35.0	% 35.0	% 35.0	%
State taxes, net of federal tax benefit	2.2	1.9	2.0	
Nondeductible expenses	1.2	0.7	1.0	
Foreign tax rate differences	(1.1)	) (1.4	) (0.9)
Tax effect of intercompany financing	(8.8)	) (7.8	) (8.4)
Federal tax credits	—	—	(1.4))
Adjustment related to uncertain tax positions	2.7	(0.2	) 0.5	
Other	0.2	0.1	(0.6))
Effective tax rate	31.4	% 28.3	% 27.2	%

As of December 31, 2015, WESCO's foreign subsidiaries had unremitted earnings of approximately \$623.7 million, of which \$524.6 million was attributable to the Company's Canadian operations. WESCO asserts that these earnings are permanently reinvested to fund growth in the foreign markets and, therefore, has not provided a deferred tax liability on these earnings. Additionally, WESCO's current plans do not require that these earnings be repatriated to fund liquidity needs in the U.S. It is not practicable for WESCO to determine the deferred tax liability associated with repatriation of these earnings as such determination involves material uncertainties, however, if these earnings were repatriated and taxed at the U.S. statutory rate of 35%, the unrecognized deferred tax liability would be approximately \$218.3 million.

The following table sets forth deferred tax assets and liabilities:

	As of December 31,			
	2015	2014	Assets	Liabilities
	(In thousands)			
	Assets	Liabilities	Assets	Liabilities
Accounts receivable	\$4,736	\$—	\$3,510	\$—
Inventory	—	5,410	—	2,517
Depreciation	—	11,671	—	13,074
Amortization of intangible assets	—	240,106	—	246,895
Convertible debt interest	—	161,700	—	139,315
Employee benefits	16,702	—	15,297	—
Stock-based compensation	27,531	—	27,068	—
Canada royalty and management fee	—	—	25,277	—
Foreign tax credits	11,494	—	11,239	—
Tax loss carryforwards	21,095	—	25,522	—
Other	6,768	7,715	11,647	6,231
Total deferred taxes	\$88,326	\$426,602	\$119,560	\$408,032

As of December 31, 2015 and 2014, WESCO had deferred tax assets of \$12.6 million and \$18.3 million, respectively, related to Canadian net operating loss carryforwards. The decrease is primarily due to the settlement of transfer pricing issues between the United States and Canada. The settlement reduced royalty expense that was deductible in Canada in prior years and as a result, reduced Canadian net operating loss carryforwards. The Canadian net operating loss carryforwards expire beginning in 2029 through 2035. Additionally, WESCO had deferred tax assets of \$5.3 million and \$3.8 million as of December 31, 2015 and 2014, respectively, related to non-Canadian foreign net operating loss carryforwards. These net operating loss carryforwards expire beginning in 2018, while some may be carried forward indefinitely. As of December 31, 2015 and 2014, WESCO had deferred tax assets of \$3.2 million and

\$3.4 million, respectively, related to state net operating loss carryforwards. These carryforwards expire beginning in 2021 through 2029. The Company has determined, based upon an evaluation of all available positive and negative evidence, that it "more-likely-than-not" will utilize all of its net operating loss carryforwards before expiration and, accordingly, has not recorded a valuation allowance.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

As of December 31, 2015 and 2014, WESCO had deferred tax assets of \$11.5 million and \$11.2 million, respectively, related to U.S. foreign tax credit (“FTC”) carryforwards. These FTC carryforwards expire beginning in 2016 through 2024. The Company has determined that prudent and feasible tax planning strategies exist and it intends to implement these tax planning strategies to prevent these FTC carryforwards from expiring unused. Accordingly, a valuation allowance has not been recorded.

The Company is under examination by tax authorities in the United States and Canada and remains subject to examination until the applicable statutes of limitation expire. The statutes of limitation for the material jurisdictions in which the Company files income tax returns remain open as follows:

United States — Federal	2004 and forward
United States — Material States	2012 and forward
Canada	2004 and forward

The statutes of limitation with respect to the Company’s 2004 to 2007 U.S. federal income tax returns are open by waiver only in connection with the Mutual Agreement Procedure (“MAP”) concluded in the fourth quarter of 2015 between the Competent Authorities of the Internal Revenue Service (“IRS”) and Canada Revenue Agency (“CRA”) with respect to transfer pricing matters and matters pending before the Appeals Division of Canada Revenue Agency. The statute of limitation with respect to the Company’s 2008 U.S. federal income tax return is open by waiver only in connection with the Advance Pricing Agreement (“APA”) concluded in the fourth quarter of 2015 between the IRS and CRA. The APA resolves certain transfer pricing matters for the 2008 to 2018 tax years. The statutes of limitation with respect to the Company’s 2009 to 2011 U.S. Federal income tax returns are open by waiver only in connection with the IRS examination of those years and the APA.

The following table sets forth the reconciliation of gross unrecognized tax benefits:

	As of December 31,		
	2015	2014	2013
	(In thousands)		
Beginning balance January 1	\$20,033	\$25,548	\$21,075
Additions based on tax positions related to the current year	46	69	1,573
Additions for tax positions of prior years	402	191	4,566
Additions for acquired tax positions	—	308	1,428
Reductions for tax positions of prior years	(378	) (5,608) —
Settlements	(9,638	) (209	) (2,226
Lapse in statute of limitations	(1,497	) (40	) (310
Foreign currency exchange rate changes	(3,532	) (226	) (558
Ending balance December 31	\$5,436	\$20,033	\$25,548

The total amount of unrecognized tax benefits were \$5.4 million, \$20.0 million, and \$25.5 million as of December 31, 2015, 2014 and 2013, respectively. The amount of unrecognized tax benefits that would affect the effective tax rate if recognized in the consolidated financial statements was \$6.2 million, \$20.4 million, and \$25.7 million, respectively. The amounts for 2014 and 2013 primarily related to transfer pricing adjustments made by Canada Revenue Agency, which were subject to MAP and APA proceedings under the U.S./Canada income tax treaty. These proceedings concluded in the fourth quarter of 2015.

It is reasonably possible that the amount of unrecognized tax benefits will decrease by approximately \$2.8 million within the next twelve months due to the effective settlement of uncertain tax positions related to Internal Revenue Service audits or the expiration of statutes of limitation. Of this amount, approximately \$1.6 million could impact the effective tax rate.

The Company classifies interest related to unrecognized tax benefits as interest income or expense. In 2015, interest income of \$8.7 million was recognized as a result of the conclusion of the MAP and APA proceedings for the 2004 to 2015 tax years discussed above. Interest expense on unrecognized tax benefits was \$1.0 million and \$0.6 million for 2014 and 2013, respectively. As of December 31, 2015 and 2014, WESCO had an accrued liability of \$2.1 million

and \$12.7 million, respectively, for interest expense related to unrecognized tax benefits. The Company classifies penalties related to unrecognized tax benefits as part of income tax expense. Penalties recorded in income tax expense were minimal in 2015, 2014, and 2013.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

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10. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding during the periods. Diluted earnings per share are computed by dividing net income by the weighted-average common shares and common share equivalents outstanding during the periods. The dilutive effect of common share equivalents is considered in the diluted earnings per share computation using the treasury stock method, which includes consideration of dilutive equity awards and contingently convertible debt.

The following tables set forth the details of basic and diluted earnings per share:

	Year Ended December 31,		
	2015	2014	2013
(In thousands, except per share data)			
Net income attributable to WESCO International, Inc.	\$210,687	\$275,906	\$276,430
Weighted-average common shares outstanding used in computing basic earnings per share	43,433	44,440	44,148
Common shares issuable upon exercise of dilutive stock-based awards	626	997	1,121
Common shares issuable from contingently convertible debentures (see below for basis of calculation)	6,314	7,821	7,381
Weighted-average common shares outstanding and common share equivalents used in computing diluted earnings per share	50,373	53,258	52,650
Earnings per share attributable to WESCO International, Inc.			
Basic	\$4.85	\$6.21	\$6.26
Diluted	\$4.18	\$5.18	\$5.25

The computation of diluted earnings per share attributable to WESCO International, Inc. excluded stock-based awards of approximately 1.2 million as of December 31, 2015 and 0.3 million as of December 31, 2014 and 2013. These amounts were excluded because their effect would have been antidilutive.

Because of WESCO's obligation to settle the par value of the 2029 Debentures in cash upon conversion, WESCO is required to include shares underlying the 2029 Debentures in its diluted weighted-average shares outstanding when the average stock price per share for the period exceeds the conversion price of the debentures. Only the number of shares that would be issuable (under the treasury stock method of accounting for share dilution) are included, which is based upon the amount by which the average stock price exceeds the conversion price. The conversion price of the 2029 Debentures is \$28.87. Share dilution as of December 31, 2015 is limited to a maximum of 11,947,533 shares for the 2029 Debentures. For the periods ended December 31, 2015, 2014, and 2013, the effect of the 2029 Debentures on diluted earnings per share attributable to WESCO International, Inc. was a decrease of \$0.60, \$0.89, and \$0.86, respectively.

In December 2014, the Company's Board of Directors authorized the repurchase of up to \$300 million of the Company's common stock through December 31, 2017. During the year ended December 31, 2015, the Company entered into accelerated stock repurchase agreements (the "ASR Transactions") with certain financial institutions to purchase shares of its common stock. In exchange for up-front cash payments totaling \$150 million, the Company received 2,468,576 shares. The total number of shares ultimately delivered under the ASR Transactions was determined by the average of the volume-weighted-average prices of the Company's common stock for each exchange business day during the respective settlement valuation periods. WESCO funded the repurchases with borrowings under its prior revolving credit facility. For purposes of computing earnings per share, share repurchases have been reflected as a reduction to common shares outstanding on the respective share delivery dates.

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11. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

A majority of WESCO's employees are covered by defined contribution retirement savings plans for their service rendered subsequent to WESCO's formation. WESCO also offers a deferred compensation plan for select individuals. For U.S. participants, WESCO will make contributions in an amount equal to 50% of the participant's total monthly contributions up to a maximum of 6% of eligible compensation. For Canadian participants, WESCO will make contributions in an amount ranging from 3% to 5% of the participant's eligible compensation based on years of continuous service. In addition, for U.S. participants, employer contributions may be made at the discretion of the Board of Directors. A discretionary employer contribution charge of \$9.7 million was incurred in 2014. For the years ended December 31, 2015, 2014 and 2013, WESCO incurred charges of \$18.1 million, \$28.3 million, and \$22.1 million, respectively, for all such plans. Contributions are made in cash to employee retirement savings plan accounts. The deferred compensation plan is an unfunded plan. As of December 31, 2015 and 2014, the Company's obligation under the deferred compensation plan was \$23.5 million and \$22.5 million, respectively. Employees have the option to transfer balances allocated to their accounts in the defined contribution retirement savings plan and the deferred compensation plan into any of the available investment options.

Defined Benefit Plans

In connection with the December 14, 2012 acquisition of EECOL, the Company assumed a contributory defined benefit plan (the "Plan") covering substantially all Canadian employees of EECOL. The Plan provides retirement benefits based on earnings and credited service, and participants contribute 2% of their earnings to the Plan. Participants become 100% vested after two years of continuous service.

The Company also assumed EECOL's Supplemental Executive Retirement Plan (the "SERP"), which provides additional pension benefits to certain executives based on earnings, credited service and executive service. Participants in the SERP are vested after two years of continuous service and contribute 4% of their earnings to the SERP.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The following tables present the changes in benefit obligations, plan assets and funded status for the pension plans and the components of net periodic pension cost.

(In thousands)	Year Ended December 31,	
	2015	2014
Accumulated Benefit Obligation (ABO) at December 31	\$67,614	\$70,594
Change in Projected Benefit Obligation (PBO)		
PBO at beginning of year	\$106,325	\$96,860
Service cost	4,537	3,610
Interest cost	4,012	4,600
Participant contributions	735	857
Actuarial (gain) loss, including assumption changes	(6,687	) 12,791
Benefits paid	(3,986	) (4,125
Foreign currency exchange rate changes	(17,750	) (8,268
PBO at end of year	\$87,186	\$106,325
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$90,342	\$87,606
Actual return on plan assets	4,781	11,042
Participant contributions	735	857
Employer contributions	2,366	2,310
Benefits paid	(3,986	) (4,125
Foreign currency exchange rate changes	(15,053	) (7,348
Fair value of plan assets at end of year	\$79,185	\$90,342
Funded Status	\$(8,001	) \$(15,983
Amounts Recognized in the Consolidated Balance Sheets		
Current liabilities	\$(355	) \$(422
Noncurrent liabilities	(7,646	) (15,561
Net amount recognized	\$(8,001	) \$(15,983
Amounts Recognized in Accumulated Other Comprehensive Income (Loss)		
Net actuarial gain	\$(9,021	) \$(2,828
Prior service cost	—	—
Total net amount recognized, before tax effect	\$(9,021) \$(2,828

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

(In thousands)	Year Ended December 31,		
	2015	2014	2013
Components of Net Periodic Pension Cost			
Service cost	\$4,537	\$3,610	\$4,082
Interest cost	4,012	4,600	4,556
Expected return on plan assets	(5,260)	(5,408)	(4,103)
Recognized actuarial gain	(15)	(55)	—
Net periodic pension cost	\$3,274	\$2,747	\$4,535
Other Changes in Plan Assets and PBO Recognized in Accumulated Other Comprehensive Income (Loss)			
Net actuarial (gain) loss	\$(6,208)	\$7,448	\$(9,917)
Amortization of unrecognized net actuarial gain	15	55	—
Total amount recognized, before tax effect	(6,193)	7,503	(9,917)
Tax effect	1,661	(2,447)	2,244
Total amount recognized, after tax effect	\$(4,532)	\$5,056	\$(7,673)
Total recognized in net periodic pension cost and accumulated other comprehensive income (loss)	\$(1,258)	\$7,803	\$(3,138)

The following weighted-average actuarial assumptions were used to determine benefit obligations at December 31:

	2015		2014		
	Pension Plan	SERP	Pension Plan	SERP	
Discount rate	4.2	% 4.2	% 4.1	% 4.1	%
Rate of compensation increase	4.0	% 4.0	% 4.0	% 4.0	%

The following weighted-average actuarial assumptions were used to determine net periodic pension costs at January 1:

	Year Ended December 31,						
	2015		2014		2013		
	Pension Plan	SERP	Pension Plan	SERP	Pension Plan	SERP	
Discount rate	4.1	% 4.1	% 4.9	% 4.9	% 4.5	% 4.5	%
Expected long-term return on assets	6.4	% n/a	6.4	% n/a	6.3	% n/a	
Rate of compensation increase	4.0	% 4.0	% 4.0	% 4.0	% 4.0	% 4.0	%

The following benefit payments, which reflect expected future service, are expected to be paid:

Years ending December 31	(In thousands)
2016	\$2,202
2017	2,258
2018	2,294
2019	2,350
2020	2,432
2021-2025	15,223

The Company expects to contribute approximately \$2.2 million to the plans in 2016.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The Company's pension plan weighted asset allocations by asset category are as follows:

Asset Category	December 31			
	2015	2014		
Canadian equities	23.0	% 23.6		%
U.S. equities	14.0	% 14.0		%
Non-North American equities	18.6	% 18.6		%
Fixed income investments	44.4	% 43.8		%
Total	100.0	% 100.0		%

The Plan's long-term overall objective is to maintain benefits at their current level without affecting the cost of maintaining the Plan, assuming that the demographic make-up of the group of members remains the same.

The primary investment objective, in support of the overall objective, is to earn the highest rate of return possible for the Plan, while keeping risk at acceptable levels. The long-term return objective of the Plan is to achieve a minimum annualized rate of return in excess of the actuarial requirements. This translates into a required return of 3.5% above inflation, net of investment management fees. The return objective is consistent with the overall investment risk level that the Plan assumes in order to meet the pension obligations of the Plan. To achieve this long term investment objective, the Plan has adopted an asset mix that has a combination of equity and fixed income investments. Risk is controlled by investing in a well-diversified portfolio of asset classes. A benchmark portfolio is established based on the expected returns for each asset class available. The investment of the Plan's assets in accordance with the benchmark portfolio should enable the Plan to not only attain, but also exceed the minimum overall objective.

The following table presents the target asset mix based on market value for each investment category within which the investment managers must invest the Plan's assets. The asset mix is reviewed and rebalanced to target on a quarterly basis.

Asset Category	Target %	
Canadian equities	25	%
U.S. equities	15	%
Non-North American equities	20	%
Total equities	60	%
Fixed income investments	40	%

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.

Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following section describes the valuation methodologies used by the trustees to measure the fair value of plan assets, including an indication of the level in the fair value hierarchy in which each type of asset is generally classified.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

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Equity Securities. These securities consist of the Plan's share of segregated funds that invest in the stock of publicly traded companies and are valued at the net asset value of shares held at December 31. As such, these securities are generally classified as Level 2.

Fixed Income Investments. These investments consist of segregated funds that invest in Canadian, federal, provincial, municipal and corporate issued bonds and debentures and are valued through consultation and evaluation with brokers in the institutional market using other observable market data. As such, these investments are generally classified as Level 2. Also, these investments include money market funds that are valued using independent observable market data and primarily classified as Level 2.

The fair value methods described above may not be indicative of net realizable value or reflective of future fair values. Additionally, while the Company believes the valuation method used by the plan's trustee is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth the fair value of plan assets classified under the appropriate level of the fair value hierarchy:

(In thousands)	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Canadian equities	\$—	\$18,189	\$—	\$18,189
U.S. equities	—	11,055	—	11,055
Non-North American equities	—	14,649	—	14,649
Fixed income investments	241	35,051	—	35,292
Total investments	\$241	\$78,944	\$—	\$79,185
	December 31, 2014			
(In thousands)	Level 1	Level 2	Level 3	Total
Canadian equities	\$—	\$21,252	\$—	\$21,252
U.S. equities	—	12,573	—	12,573
Non-North American equities	—	16,724	—	16,724
Fixed income investments	335	39,458	—	39,793
Total investments	\$335	\$90,007	\$—	\$90,342

12. STOCK-BASED COMPENSATION

WESCO has sponsored four stock-based compensation plans. The 1999 Long-Term Incentive Plan, as amended and restated ("LTIP"), was designed to be the successor plan to all prior plans. Any shares remaining reserved for future issuance under the prior plans are available for issuance under the LTIP. The LTIP and predecessor plans are administered by the Compensation Committee of the Board of Directors.

On May 30, 2013, the Company renewed and restated the LTIP, increasing the maximum number of shares of common stock that may be issued under the plan by 1.6 million shares to 4.0 million. Under the LTIP, the total number of shares of common stock authorized to be issued under the LTIP will be reduced by 1 share of common stock for every 1 share that is subject to an option or stock appreciation right granted, and 1.83 shares of common stock for every 1 share that is subject to an award other than an option or stock appreciation right granted on or after May 30, 2013. As of December 31, 2015, 3.1 million shares of common stock were reserved under the LTIP for future equity award grants.

Except for the performance-based award, awards granted vest and become exercisable once criteria based on time is achieved. Performance-based awards vest based on market or performance conditions. All awards vest immediately in the event of a change in control. Each award terminates on the tenth anniversary of its grant date unless terminated sooner under certain conditions.

WESCO recognized \$12.9 million, \$14.8 million and \$15.9 million of non-cash stock-based compensation expense, which is included in selling, general and administrative expenses, in 2015, 2014 and 2013, respectively. As of

December 31, 2015, there was \$15.2 million of total unrecognized compensation expense related to non-vested stock-based compensation

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

arrangements for all awards previously made of which approximately \$9.3 million is expected to be recognized in 2016, \$5.3 million in 2017 and \$0.7 million in 2018.

The total intrinsic value of awards exercised during the years ended December 31, 2015, 2014, and 2013 was \$15.8 million, \$25.2 million, and \$23.4 million, respectively. The total amount of cash received from the exercise of options was \$0.8 million and less than \$0.1 million during the years ended December 31, 2014 and 2013, respectively. The gross deferred tax benefit associated with the exercise of stock-based awards totaled \$5.7 million, \$9.4 million, and \$8.4 million in 2015, 2014, and 2013, respectively. WESCO uses the direct only method and tax law ordering approach to calculate the tax effects of stock-based compensation.

The following table sets forth a summary of stock-settled stock appreciation rights and related information for the years indicated:

	2015			2014		2013		
	Awards	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)	Awards	Weighted-Average Exercise Price	Weighted-Average Exercise Price	
Beginning of year	2,480,745	\$ 50.91			2,715,651	\$ 45.93	3,142,021	\$ 45.40
Granted	394,182	69.54			274,508	85.35	253,999	72.26
Exercised	(232,542)	35.80			(485,469)	41.58	(659,872)	53.08
Cancelled	(75,364)	73.59			(23,945)	70.30	(20,497)	61.26
End of year	2,567,021	54.47	4.6	\$ 11,731	2,480,745	50.91	2,715,651	45.93
Exercisable at end of year	2,034,263	\$ 49.36	3.5	\$ 11,731	1,980,767	\$ 44.06	2,192,800	\$ 40.94

WESCO granted the following stock-settled stock appreciation rights at the following weighted-average assumptions:

	2015	2014	2013
Stock-settled appreciation rights granted	394,182	274,508	253,999
Risk free interest rate	1.6%	1.5%	0.9%
Expected life (in years)	5	5	5
Expected volatility	32%	39%	50%

The weighted-average fair value per stock-settled appreciation right granted was \$21.68, \$30.64 and \$31.34 for the years ended December 31, 2015, 2014 and 2013, respectively.

The following table sets forth a summary of time-based restricted stock units and related information for the year ended December 31, 2015:

	Awards	Weighted-Average Fair Value
Unvested at December 31, 2014	185,457	\$ 73.87
Granted	81,022	69.05
Vested	(76,387)	66.89
Forfeited	(14,681)	75.73
Unvested at December 31, 2015	175,411	\$ 74.52

The weighted-average fair value per restricted stock unit granted was \$69.05, \$85.32 and \$72.15 for the years ended December 31, 2015, 2014 and 2013, respectively.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The following table sets forth a summary of performance-based awards for the year ended December 31, 2015:

	Awards	Weighted-Average Fair Value
Unvested at December 31, 2014	130,004	\$ 80.21
Granted	59,661	67.81
Vested	(38,869	) 72.25
Forfeited	(36,276	) 80.14
Unvested at December 31, 2015	114,520	\$ 76.48

The fair value of the performance shares based on total stockholder return granted during the year ended December 31, 2015 were estimated using the following weighted-average assumptions:

Weighted-Average Assumptions

Grant date share price	\$ 69.54	
WESCO expected volatility	26.9	%
Peer group median volatility	23.2	%
Risk-free interest rate	1.05	%
Correlation	95.8	%

The unvested performance-based awards in the table above include 57,260 shares in which vesting of the ultimate number of shares is dependent upon WESCO's total stockholder return in relation to the total stockholder return of a select group of peer companies over a three-year period. These awards are valued using a Monte Carlo simulation model. Compensation cost is recognized over the service period, regardless of whether the market conditions are achieved and the awards ultimately vest.

Vesting of the remaining 57,260 shares of performance-based awards in the table above is dependent upon the three-year average growth rate of WESCO's net income. The fair value of these awards is based upon the grant-date closing price of WESCO's common stock. Compensation cost is recognized over the performance period based upon WESCO's determination of whether it is probable that the performance targets will be achieved.

13. COMMITMENTS AND CONTINGENCIES

Future minimum rental payments required under operating leases, primarily for real property that have noncancelable lease terms in excess of one year as of December 31, 2015, are as follows:

Years ending December 31	(In thousands)
2016	\$56,574
2017	48,428
2018	40,020
2019	30,274
2020	21,726
Thereafter	53,234

Rental expense for the years ended December 31, 2015, 2014 and 2013 was \$70.7 million, \$63.2 million and \$60.0 million, respectively.

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

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

As initially reported in its 2008 Annual Report on Form 10-K, WESCO was a defendant in a lawsuit in which a customer, ArcelorMittal Indiana Harbor, Inc. (“AIH”), alleged that the Company sold defective products to AIH in 2004 that were supplied to the Company by others. In February 2013, a jury returned a verdict in favor of AIH and awarded damages in the amount of approximately \$36.1 million. As a result, the Company recorded a \$36.1 million charge to selling, general and administrative expenses in 2012. After receiving letters from its insurers confirming insurance coverage of the matter, the Company recorded a receivable in the quarter ended March 31, 2013 in an amount equal to the previously recorded liability. There were various post-trial motions and appeals, including disputes regarding interest. A court awarded \$3.9 million of prejudgment interest and post-judgment interest of 8% per annum. The Company recorded a liability and corresponding receivable for the interest. In April 2015, the Company, AIH and the parties’ respective insurance carriers agreed to settle the case. As part of the settlement, the Company’s insurers paid \$35.8 million to AIH in full and final satisfaction of the judgment, including any prejudgment and post-judgment interest, and AIH agreed to release all claims against the Company and its insurers. To account for the settlement, the Company reversed the previously recorded liability and corresponding receivable of \$36.1 million, plus \$10.2 million of interest that had accrued in connection with this matter. Accordingly, the settlement of this matter had no net effect on the Company’s financial condition or results of operations.

WESCO is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment (the transfer of property to the state) of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements. WESCO Distribution, Inc. is currently undergoing a compliance audit in the State of Delaware concerning the identification, reporting and escheatment of unclaimed or abandoned property. A third party auditor is conducting the audit on behalf of the State, and the Company has been working with an outside consultant during the audit process and in discussions with the auditors. The Company is defending the audit, the outcome of which cannot be predicted with certainty at this time. After the third party auditor completes its field work, it is expected to issue preliminary findings for review by the Company and the State, and thereafter the auditor is expected to issue a final report of examination. If the Company and State do not reach resolution after further discussion, the State issues a demand for payment, which the Company may either agree to pay or appeal, in full or in part. The Company has recorded a liability for unclaimed property based on the facts currently known to the Company.

In October 2014, WESCO was notified that the New York County District Attorney’s Office is conducting a criminal investigation involving minority and disadvantaged business contracting practices in the construction industry in New York City and that various contractors, minority and disadvantaged business firms, and their material suppliers, including the Company, are a part of this investigation. The Company has commenced an internal review of this matter and intends to cooperate with the government investigation. The Company cannot predict the outcome or impact of the matter at this time, but could be subject to fines, penalties or other adverse consequences. Based on the facts currently known to the Company, it cannot reasonably estimate a range of exposure to potential liability at this time.

14. SEGMENTS AND RELATED INFORMATION

WESCO provides distribution of product and services through its four operating segments, which have been aggregated as one reportable segment. WESCO has approximately 250,000 unique product stock keeping units and markets more than 1,000,000 products for customers. There were no material amounts of sales or transfers among geographic areas and no material amounts of export sales.

WESCO attributes revenues from external customers to individual countries on the basis of the point of sale. The following table sets forth information about WESCO by geographic area:

	Net Sales			Long-Lived Assets					
	Year Ended December 31,			December 31,					
	2015	2014	2013	2015	2014	2013			
(In thousands)									
United States	\$5,665,962	75 %	\$5,618,240	71 %	\$5,275,275	70 %	\$157,570	\$127,670	\$137,904

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Canada	1,533,705	21 %	1,899,173	24 %	1,882,313	25 %	63,088	80,080	93,642
Mexico	70,048	1 %	95,585	1 %	90,152	1 %	332	442	615
Subtotal North American Operations	7,269,715		7,612,998		7,247,740		220,990	208,192	232,161
Other International	248,772	3 %	276,628	4 %	265,602	4 %	5,369	8,213	11,115
Total	\$7,518,487		\$7,889,626		\$7,513,342		\$226,359	\$216,405	\$243,276

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

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The following table sets forth sales information about WESCO's sales by product category:

Year Ended December 31, (percentages based on total sales)	2015	2014	2013
General and Industrial Supplies	40%	40%	40%
Wire, Cable and Conduit	15%	16%	16%
Data and Broadband Communications	15%	14%	14%
Power Distribution Equipment	11%	11%	11%
Lighting and Controls	10%	10%	10%
Control, Automation and Motors	9%	9%	9%

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

WESCO International, Inc. has outstanding \$344.9 million in aggregate principal amount of 2029 Debentures. The 2029 Debentures are fully and unconditionally guaranteed by WESCO Distribution, Inc., a 100% owned subsidiary of WESCO International, Inc., on a senior subordinated basis to all existing and future senior indebtedness of WESCO Distribution Inc..

WESCO Distribution, Inc. has outstanding \$500 million in aggregate principal amount of 5.375% Senior Notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured senior obligations of WESCO Distribution, Inc. and are fully and unconditionally guaranteed on a senior unsecured basis by WESCO International, Inc.

Condensed consolidating financial information for WESCO International, Inc., WESCO Distribution, Inc. and the non-guarantor subsidiaries is presented in the following tables.

Condensed Consolidating Balance Sheet

December 31, 2015

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	\$—	\$38,963	\$ 121,316	\$—	\$ 160,279
Trade accounts receivable, net	—	—	1,075,257	—	1,075,257
Inventories	—	376,641	433,426	—	810,067
Prepaid expenses and other current assets	15	47,290	173,596	(8,970)	211,931
Total current assets	15	462,894	1,803,595	(8,970)	2,257,534
Intercompany receivables, net	—	—	1,964,848	(1,964,848)	—
Property, buildings and equipment, net	—	56,921	109,818	—	166,739
Intangible assets, net	—	4,072	399,577	—	403,649
Goodwill	—	255,251	1,426,411	—	1,681,662
Investments in affiliates	3,309,006	3,827,069	—	(7,136,075)	—
Other assets	3,804	44,731	29,306	—	77,841
Total assets	\$3,312,825	\$4,650,938	\$ 5,733,555	\$(9,109,893)	\$4,587,425
Accounts payable	\$—	\$414,524	\$ 300,995	\$—	\$715,519
Short-term debt	—	—	43,314	—	43,314
Other current liabilities	15,254	55,129	127,555	(8,970)	188,968
Total current liabilities	15,254	469,653	471,864	(8,970)	947,801
Intercompany payables, net	1,320,240	644,608	—	(1,964,848)	—
Long-term debt	181,557	749,620	525,584	—	1,456,761
Other noncurrent liabilities	19,102	216,515	173,375	—	408,992

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Total WESCO International stockholders' equity	1,776,672	2,570,542	4,565,533	(7,136,075)	1,776,672
Noncontrolling interest	—	—	(2,801)	—	(2,801)
Total liabilities and stockholders' equity	\$3,312,825	\$4,650,938	\$ 5,733,555	\$(9,109,893)	\$4,587,425

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Balance Sheet

December 31, 2014

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Cash and cash equivalents	\$—	\$32,508	\$ 95,811	\$—	\$128,319
Trade accounts receivable, net	—	—	1,117,420	—	1,117,420
Inventories	—	373,938	445,564	—	819,502
Prepaid expenses and other current assets	12	144,282	147,268	(6,465)	285,097
Total current assets	12	550,728	1,806,063	(6,465)	2,350,338
Intercompany receivables, net	—	—	1,806,215	(1,806,215)	—
Property, buildings and equipment, net	—	56,735	125,990	—	182,725
Intangible assets, net	—	4,733	425,107	—	429,840
Goodwill	—	246,771	1,488,669	—	1,735,440
Investments in affiliates	3,304,914	3,828,727	—	(7,133,641)	—
Other assets	4,083	12,844	39,167	—	56,094
Total assets	\$3,309,009	\$4,700,538	\$ 5,691,211	\$(8,946,321)	\$4,754,437
Accounts payable	\$—	\$445,680	\$ 319,455	\$—	\$765,135
Short-term debt	—	—	46,787	—	46,787
Other current liabilities	12,465	113,746	132,204	(6,465)	251,950
Total current liabilities	12,465	559,426	498,446	(6,465)	1,063,872
Intercompany payables, net	1,168,366	637,849	—	(1,806,215)	—
Long-term debt	177,638	683,407	505,385	—	1,366,430
Other noncurrent liabilities	21,888	232,544	141,538	—	395,970
Total WESCO International stockholders' equity	1,928,652	2,587,312	4,546,329	(7,133,641)	1,928,652
Noncontrolling interest	—	—	(487)	—	(487)
Total liabilities and stockholders' equity	\$3,309,009	\$4,700,538	\$ 5,691,211	\$(8,946,321)	\$4,754,437

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Income and Comprehensive
Income (Loss)

Year ended December 31, 2015

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$—	\$3,456,883	\$ 4,177,383	\$ (115,779)	\$7,518,487
Cost of goods sold (excluding depreciation and amortization)	—	2,784,413	3,356,192	(115,779)	6,024,826
Selling, general and administrative expenses	26	611,549	443,376	—	1,054,951
Depreciation and amortization	—	19,703	45,265	—	64,968
Results of affiliates' operations	225,370	219,619	—	(444,989)	—
Interest expense (income), net	24,910	63,261	(18,339)	—	69,832
Provision for income taxes	(7,939)	(6,929)	110,405	—	95,537
Net income	208,373	204,505	240,484	(444,989)	208,373
Less: Net loss attributable to noncontrolling interest	—	—	(2,314)	—	(2,314)
Net income attributable to WESCO International, Inc.	\$208,373	\$204,505	\$ 242,798	\$ (444,989)	\$210,687
Other comprehensive income (loss):					
Foreign currency translation adjustment	(225,795)	(225,795)	(225,795)	451,590	(225,795)
Post retirement benefit plan adjustment	4,532	4,532	4,532	(9,064)	4,532
Comprehensive (loss) income attributable to WESCO International, Inc.	\$(12,890)	\$(16,758)	\$ 21,535	\$ (2,463)	\$(10,576)

Condensed Consolidating Statement of Income and Comprehensive
Income

Year ended December 31, 2014

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$—	\$3,557,839	\$ 4,446,139	\$ (114,352)	\$7,889,626
Cost of goods sold (excluding depreciation and amortization)	—	2,848,413	3,544,523	(114,352)	6,278,584
Selling, general and administrative expenses	9	557,596	519,203	—	1,076,808
Depreciation and amortization	—	19,084	48,933	—	68,017
Results of affiliates' operations	292,845	231,174	—	(524,019)	—
Interest expense (income), net	24,472	74,653	(17,061)	—	82,064
Provision for income taxes	(7,072)	16,446	99,342	—	108,716
Net income	275,436	272,821	251,199	(524,019)	275,437
Less: Net loss attributable to noncontrolling interest	—	—	(469)	—	(469)

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Net income attributable to WESCO International, Inc.	\$275,436	\$272,821	\$ 251,668	\$(524,019)	\$275,906
Other comprehensive loss:					
Foreign currency translation adjustment	(120,293)	(120,293)	(120,293)	240,586	(120,293)
Post retirement benefit plan adjustment	(5,056)	(5,056)	(5,056)	10,112	(5,056)
Comprehensive income attributable to WESCO International, Inc.	\$150,087	\$147,472	\$ 126,319	\$(273,321)	\$150,557

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Income and Comprehensive
Income

Year ended December 31, 2013

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net sales	\$—	\$3,386,043	\$ 4,253,666	\$ (126,367)	\$7,513,342
Cost of goods sold (excluding depreciation and amortization)	—	2,700,692	3,393,567	(126,367)	5,967,892
Selling, general and administrative expenses	29	485,575	511,206	—	996,810
Depreciation and amortization	—	18,331	49,311	—	67,642
Results of affiliates' operations	294,137	207,630	—	(501,767)	—
Interest expense (income), net	23,918	75,294	(13,605)	—	85,607
Loss on debt extinguishment	—	13,225	—	—	13,225
Loss on sale of Argentina business	—	—	2,315	—	2,315
Provision for income taxes	(6,327)	25,657	84,003	—	103,333
Net income	\$276,517	\$274,899	\$ 226,869	\$ (501,767)	\$276,518
Less: Net income attributable to noncontrolling interest	—	—	88	—	88
Net income attributable to WESCO International, Inc.	\$276,517	\$274,899	\$ 226,781	\$ (501,767)	\$276,430
Other comprehensive income (loss):					
Foreign currency translation adjustment	(83,172)	(83,172)	(83,172)	166,344	(83,172)
Post retirement benefit plan adjustment	7,673	7,673	7,673	(15,346)	7,673
Comprehensive income attributable to WESCO International, Inc.	\$201,018	\$199,400	\$ 151,282	\$ (350,769)	\$200,931

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2015

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash provided by operating activities	\$3,531	\$214,037	\$ 65,481	\$ —	\$283,049
Investing activities:					
Capital expenditures	—	(15,266)	(6,392)	—	(21,658)
Acquisition payments, net of cash acquired	—	(151,595)	—	—	(151,595)
Proceeds from sale of assets	—	—	3,023	—	3,023
Dividends received from subsidiaries	—	114,101	—	(114,101)	—
Advances to subsidiaries and other	—	(197,345)	17,461	179,884	—
Net cash used in investing activities	—	(250,105)	14,092	65,783	(170,230)
Financing activities:					
Proceeds from issuance of debt	150,705	1,224,596	452,655	(197,345)	1,630,611
Repayments of debt	—	(1,175,056)	(379,578)	17,461	(1,537,173)
Equity activities	(154,236)	—	—	—	(154,236)
Dividends paid by subsidiaries	—	—	(114,101)	114,101	—
Other	—	(7,017)	—	—	(7,017)
Net cash (used in) provided by financing activities	(3,531)	42,523	(41,024)	(65,783)	(67,815)
Effect of exchange rate changes on cash and cash equivalents	—	—	(13,044)	—	(13,044)
Net change in cash and cash equivalents	—	6,455	25,505	—	31,960
Cash and cash equivalents at the beginning of period	—	32,508	95,811	—	128,319
Cash and cash equivalents at the end of period	\$—	\$38,963	\$ 121,316	\$ —	\$160,279

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2014

(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash provided by operating activities	\$820	\$51,738	\$ 198,598	\$—	\$251,156
Investing activities:					
Capital expenditures	—	(13,717)	(6,831)	—	(20,548)
Acquisition payments, net of cash acquired	—	(42,226)	(96,404)	—	(138,630)
Proceeds from sale of assets	—	—	14,991	—	14,991
Dividends received from subsidiaries	—	71,381	—	(71,381)	—
Advances to subsidiaries and other	—	(53,779)	17,461	36,318	—
Net cash used in investing activities	—	(38,341)	(70,783)	(35,063)	(144,187)
Financing activities:					
Proceeds from issuance of debt	6,517	798,315	495,493	(60,437)	1,239,888
Repayments of debt	(6,658)	(807,776)	(541,080)	24,119	(1,331,395)
Equity activities	(679)	—	—	—	(679)
Dividends paid by subsidiaries	—	—	(71,381)	71,381	—
Other	—	(3,123)	(181)	—	(3,304)
Net cash (used in) provided by financing activities	(820)	(12,584)	(117,149)	35,063	(95,490)
Effect of exchange rate changes on cash and cash equivalents	—	—	(6,885)	—	(6,885)
Net change in cash and cash equivalents	—	813	3,781	—	4,594
Cash and cash equivalents at the beginning of period	—	31,695	92,030	—	123,725
Cash and cash equivalents at the end of period	\$—	\$32,508	\$ 95,811	\$—	\$128,319

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Condensed Consolidating Statement of Cash Flows
Year ended December 31, 2013
(In thousands)

	WESCO International, Inc.	WESCO Distribution, Inc.	Non-Guarantor Subsidiaries	Consolidating and Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	\$(10,716)	\$209,501	\$ 116,356	\$ —	\$315,141
Investing activities:					
Capital expenditures	—	(16,728)	(11,097)	—	(27,825)
Proceeds from sale of assets	—	—	10,807	—	10,807
Dividends received from subsidiaries	—	62,507	—	(62,507)	—
Advances to subsidiaries and other	—	(59,991)	16,256	42,530	(1,205)
Net cash used in investing activities	—	(14,212)	15,966	(19,977)	(18,223)
Financing activities:					
Proceeds from issuance of debt	14,945	1,143,604	404,293	(59,991)	1,502,851
Repayments of debt	—	(1,345,377)	(412,561)	17,461	(1,740,477)
Equity activities	(4,229)	—	—	—	(4,229)
Dividends paid by subsidiaries	—	—	(62,507)	62,507	—
Other	—	(14,096)	(1,568)	—	(15,664)
Net cash provided by (used in) financing activities	10,716	(215,869)	(72,343)	19,977	(257,519)
Effect of exchange rate changes on cash and cash equivalents	—	—	(1,773)	—	(1,773)
Net change in cash and cash equivalents	—	(20,580)	58,206	—	37,626
Cash and cash equivalents at the beginning of period	—	52,275	33,824	—	86,099
Cash and cash equivalents at the end of period	\$—	\$31,695	\$ 92,030	\$ —	\$123,725

Revisions

The Condensed Consolidating Statements of Cash Flow for the years ended December 31, 2014 and 2013 were revised to appropriately present dividends paid by the non-guarantor subsidiaries and dividends received by WESCO Distribution, Inc. The revisions did not impact the consolidated amounts previously reported, nor did they impact the Company's obligations under the 2021 Notes or the 2029 Debentures.

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WESCO INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

16. SELECTED QUARTERLY FINANCIAL DATA (unaudited)

The following table sets forth selected quarterly financial data for the years ended December 31, 2015 and 2014:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015				
Net Sales	\$1,816,330	\$1,916,718	\$1,923,899	\$1,861,540
Cost of goods sold (excluding depreciation and amortization)	1,448,639	1,535,084	1,543,113	1,497,990
Income from operations	87,185	90,253	106,348	89,956
Income before income taxes	66,291	71,640	85,931	80,048
Net income	46,793	50,639	62,384	48,557
Net income attributable to WESCO International, Inc.	47,031	51,741	63,503	48,412
Basic earnings per share attributable to WESCO International, Inc. ^(A)	1.06	1.18	1.47	1.15
Diluted earnings per share attributable to WESCO International, Inc. ^(B)	0.90	1.00	1.28	1.03
2014				
Net Sales	\$1,810,825	\$2,005,165	\$2,078,150	\$1,995,486
Cost of goods sold (excluding depreciation and amortization)	1,436,032	1,593,437	1,655,787	1,593,328
Income from operations	92,959	115,833	133,248	124,177
Income before income taxes	72,271	95,496	112,450	103,936
Net income	51,855	68,787	80,818	73,977
Net income attributable to WESCO International, Inc.	51,905	68,802	80,816	74,383
Basic earnings per share attributable to WESCO International, Inc. ^(A)	1.17	1.55	1.82	1.67
Diluted earnings per share attributable to WESCO International, Inc. ^(B)	0.97	1.29	1.52	1.40

Earnings per share (EPS) in each quarter is computed using the weighted-average number of shares outstanding during the quarter while EPS for the full year is computed by taking the average of the weighted-average number of shares outstanding each quarter. Thus, the sum of the four quarters' EPS may not equal the full-year EPS.

Diluted EPS in each quarter is computed using the weighted-average number of shares outstanding and common share equivalents during that quarter while Diluted EPS for the full year is computed by taking the average of the weighted-average number of shares outstanding and common share equivalents each quarter. Thus, the sum of the four quarters' Diluted EPS may not equal the full-year Diluted EPS.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the updated framework in Internal Control — Integrated Framework (2013) (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission on May 14, 2013. Based on our evaluation under the 2013 Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2015. The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Changes in Internal Control Over Financial Reporting

During the last fiscal quarter of 2015, there were no changes in the Company's internal control over financial reporting identified in connection with management's evaluation of the effectiveness of the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information set forth under the captions “Board of Directors” and “Executive Officers” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders is incorporated herein by reference.

Codes of Business Ethics and Conduct

We have adopted a Code of Business Ethics and Conduct (“Code of Conduct”) that applies to our Directors, officers and employees that is available on our website at www.wesco.com by selecting the “Investors” tab followed by the “Corporate Governance” heading. Any amendment or waiver of the Code of Conduct for our officers or Directors will be disclosed promptly at that location on our website.

We also have adopted a Senior Financial Executive Code of Principles for Senior Executives (“Senior Financial Executive Code”) that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing these functions. The Senior Financial Executive Code is also available at that same location on our website. We intend to timely disclose any amendment or waiver of the Senior Financial Executive Code on our website and will retain such information on our website as required by applicable SEC rules.

A copy of the Code of Conduct and/or Senior Financial Executive Code may also be obtained upon request by any stockholder, without charge, by writing to us at WESCO International, Inc., 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania 15219, Attention: Corporate Secretary.

The information required by Item 10 that relates to our Directors and executive officers is incorporated by reference from the information appearing under the captions “Corporate Governance,” “Board and Committee Meetings” and “Security Ownership” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders that is to be filed with the SEC pursuant to the Exchange Act within 120 days of the end of our fiscal year on December 31, 2015.

Item 11. Executive Compensation.

The information set forth under the captions “Compensation Discussion and Analysis” and “Director Compensation” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information set forth under the caption “Security Ownership” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders is incorporated herein by reference.

The following table provides information as of December 31, 2015 with respect to the shares of our common stock that may be issued under our existing equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	2,856,952	\$48.94	3,073,234
Equity compensation plans not approved by security holders	—	—	—
Total	2,856,952	\$48.94	3,073,234

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information set forth under the captions “Transactions with Related Persons” and “Corporate Governance” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information set forth under the caption “Independent Registered Public Accounting Firm Fees and Services” in our definitive Proxy Statement for our 2016 Annual Meeting of Stockholders is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedule.

The financial statements, financial statement schedule and exhibits listed below are filed as part of this annual report:

(a)(1) Financial Statements

The list of financial statements required by this item is set forth in Item 8, “Financial Statements and Supplementary Data,” and is incorporated herein by reference.

(2) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts

(b) Exhibits

Exhibit No.	Description of Exhibit	Prior Filing or Sequential Page Number
2.1	Recapitalization Agreement, dated as of March 27, 1998, among Thor Acquisitions L.L.C., WESCO International, Inc. (formerly known as CDW Holding Corporation) and certain security holders of WESCO International, Inc.	Incorporated by reference to Exhibit 2.1 to WESCO’s Registration Statement on Form S-4 (No. 333-43225)
2.2	Share Purchase Agreement, dated as of October 15, 2012, between WDC Enterprises Inc., the Shareholders party thereto, EECOL Holdings Ltd., Jarich Holdings Ltd., EESA Corp., EESA Holdings Ltd. and EECOL Electric Corp.	Incorporated by reference to Exhibit 2.1 to WESCO’s Current Report on Form 8-K, dated October 17, 2012
3.1	Restated Certificate of Incorporation of WESCO International, Inc.	Incorporated by reference to Exhibit 3.1 to WESCO’s Registration Statement on Form S-4 (No. 333-70404)
3.2	Certificate of Amendment of Certificate of Incorporation to Restated Certificate of Incorporation of WESCO International, Inc.	Incorporated by reference to Exhibit 3.1 to WESCO’s Current Report on Form 8-K, dated May 29, 2014
3.3	Amended and Restated By-laws of WESCO International, Inc., effective as of May 29, 2014	Incorporated by reference to Exhibit 3.2 to WESCO’s Current Report on Form 8-K, dated May 29, 2014
4.1	Indenture, dated August 27, 2009, by and among WESCO International, Inc., WESCO Distribution, Inc. and The Bank of New York, as Trustee	Incorporated by reference to Exhibit 4.1 to WESCO’s Current Report on Form 8-K, dated August 27, 2009
4.2	Form of 6.0% Convertible Senior Debenture due 2029	Incorporated by reference to Exhibit 4.1 to WESCO’s Current Report on Form 8-K, dated August 27, 2009
4.3	Indenture, dated November 26, 2013, among WESCO Distribution, Inc. and U.S. Bank National Association, as trustee	Incorporated by reference to Exhibit 4.1 to WESCO’s Current Report on Form 8-K, dated November 27, 2013
4.4	Form of 5.375% Restricted Note due 2021	

Incorporated by reference to Exhibit A-1 to Exhibit 4.1 to WESCO's Current Report on Form 8-K, dated November 27, 2013

4.5 Form of 5.375% Unrestricted Note due 2021

Incorporated by reference to Exhibit A-2 to Exhibit 4.1 to WESCO's Current Report on Form 8-K, dated November 27, 2013

10.1 1999 Deferred Compensation Plan for Non-Employee Directors, as amended and restated September 20, 2007

Incorporated by reference to Exhibit 10.5 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2011

10.2 Form of Stock Appreciation Rights Agreement for Employees

Incorporated by reference to Exhibit 10.7 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2011

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Exhibit No.	Description of Exhibit	Prior Filing or Sequential Page Number
10.3	Form of Restricted Stock Unit Agreement for Employees	Incorporated by reference to Exhibit 10.8 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2011
10.4	Form of Stock Appreciation Rights Agreement for Non-Employee Directors	Incorporated by reference to Exhibit 10.3 to WESCO's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010
10.5	Form of Restricted Stock Unit Agreement for Non-Employee Directors	Incorporated by reference to Exhibit 10.4 to WESCO's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010
10.6	Amended and Restated Registration and Participation Agreement, dated as of June 5, 1998, among WESCO International, Inc. and certain security holders of WESCO International, Inc. named therein	Incorporated by reference to Exhibit 10.19 to WESCO's Registration Statement on Form S-4 (No. 333-43225)
10.7	Amended and Restated Employment Agreement, dated as of September 1, 2009, between WESCO International Inc. and John J. Engel	Incorporated by reference to Exhibit 10.2 to WESCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009
10.8	Term Sheet, dated January 15, 2010, memorializing terms of employment of Diane Lazzaris by WESCO International, Inc.	Incorporated by reference to Exhibit 10.28 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2009
10.9	Term Sheet, dated June 18, 2010, memorializing terms of employment of Kimberly Windrow by WESCO International, Inc.	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010
10.10	Notice of Performance Share Award under the WESCO International, Inc. 1999 Long-Term Incentive Plan	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012
10.11	Term Sheet, dated May 24, 2012, memorializing terms of employment of Kenneth Parks by WESCO International, Inc.	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012
10.12	Term Loan agreement, dated as of December 12, 2012 among WESCO Distribution, Inc., WDCC Enterprises Inc., WESCO International, Inc., Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent and the other Lenders and Agents party thereto	Incorporated by reference to Exhibit 10.1 to WESCO's Current Report on Form 8-K, dated December 17, 2012

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10.13	1999 Long-Term Incentive Plan, as restated effective as of May 30, 2013	Incorporated by reference to Appendix A to the Proxy Statement filed on Schedule 14A on April 16, 2013
10.14	First Amendment to Term Loan Agreement, dated as of November 19, 2013 among WESCO Distribution, Inc., WDCC Enterprises Inc., WESCO International, Inc., Credit Suisse AG, Cayman Islands Branch, as Administrative Agent and Collateral Agent and the other Lenders and Agents party thereto	Incorporated by reference to Exhibit 10.31 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2013
10.15	Form of Non-Employee Director Restricted Stock Unit Agreement	Incorporated by reference to Exhibit 10.32 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2013
10.16	Form of Stock Appreciation Rights Agreement for Employees	Incorporated by reference to Exhibit 10.33 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2014

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Exhibit No.	Description of Exhibit	Prior Filing or Sequential Page Number
10.17	Form of Restricted Stock Unit Agreement For Employees	Incorporated by reference to Exhibit 10.34 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2014
10.18	Notice of Performance Share Award Under the WESCO International, Inc. 1999 Long-Term Incentive Plan, as amended May 30, 2013	Incorporated by reference to Exhibit 10.35 to WESCO's Annual Report on Form 10-K for the year ended December 31, 2014
10.19	Second Amended and Restated Credit Agreement, dated as of September 24, 2015 among WESCO Distribution, Inc., the other U.S. Borrowers party thereto, WESCO Distribution Canada LP, the other Canadian Borrowers party thereto, WESCO International, Inc., the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Administrative Agent	Incorporated by reference to Exhibit 10.1 to WESCO's Current Report on Form 8-K, dated September 24, 2015
10.20	Fourth Amended and Restated Receivables Purchase Agreement, dated as of September 24, 2015, by and among WESCO Receivables Corp., WESCO Distribution, Inc., the various Purchaser Groups from time to time party thereto and PNC Bank, National Association, as Administrator	Incorporated by reference to Exhibit 10.2 to WESCO's Current Report on Form 8-K, dated September 24, 2015
10.21	Release Agreement, dated as of October 5, 2015, between WESCO International, Inc., and WESCO Distribution, Inc., and Stephen A. Van Oss	Incorporated by reference to Exhibit 10.1 to WESCO's Quarterly Report on Form 10-Q, for the quarter ended September 30, 2015
10.22	Form of Non-Employee Director Restricted Stock Unit Agreement	Filed herewith
10.23	Form of Notice of Performance Share Award Under the WESCO International, Inc. 1999 Long-Term Incentive Plan, as amended May 30, 2013	Filed herewith
10.24	Form of Director and Officer Indemnification Agreement, entered among WESCO International, Inc. and certain of its executive officers and directors listed on a schedule attached thereto	Filed herewith
21.1	Subsidiaries of WESCO International, Inc.	Filed herewith
23.1	Consent of PricewaterhouseCoopers LLP	Filed herewith

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) promulgated under the Exchange Act Filed herewith

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) promulgated under the Exchange Act Filed herewith

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Filed herewith

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Filed herewith

101 Interactive Data File Filed herewith

The registrant hereby agrees to furnish supplementally to the Commission, upon request, a copy of any omitted schedule to any of the agreements contained herein.

Copies of exhibits may be retrieved electronically at the Securities and Exchange Commission's home page at www.sec.gov. Exhibits will also be furnished without charge by writing to Kenneth S. Parks, Senior Vice President and Chief Financial Officer, 225 West Station Square Drive, Suite 700, Pittsburgh, Pennsylvania 15219. Requests may also be directed to (412) 454-2200.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESCO INTERNATIONAL, INC.

By: /s/ JOHN J. ENGEL

Name: John J. Engel

Title: Chairman, President and Chief Executive Officer

Date: February 22, 2016

WESCO INTERNATIONAL, INC.

By: /s/ KENNETH S. PARKS

Name: Kenneth S. Parks

Title: Senior Vice President and Chief Financial Officer

Date: February 22, 2016

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN J. ENGEL John J. Engel	Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 22, 2016
/s/ KENNETH S. PARKS Kenneth S. Parks	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 2016
/s/ SANDRA BEACH LIN Sandra Beach Lin	Director	February 22, 2016
/s/ BOBBY J. GRIFFIN Bobby J. Griffin	Director	February 22, 2016
/s/ JOHN K. MORGAN John K. Morgan	Director	February 22, 2016
/s/ JAMES J. O'BRIEN James J. O'Brien	Director	February 22, 2016
/s/ STEVEN A. RAYMUND Steven A. Raymond	Director	February 22, 2016
/s/ JAMES L. SINGLETON James L. Singleton	Director	February 22, 2016
/s/ ROBERT J. TARR, JR. Robert J. Tarr, Jr.	Director	February 22, 2016
/s/ LYNN M. UTTER Lynn M. Utter	Director	February 22, 2016

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Schedule II—Valuation and Qualifying Accounts

	Balance at Beginning of Period	Charged to Expense	Charged to Other Accounts ⁽¹⁾	Deductions ⁽²⁾	Balance at End of Period
Allowance for doubtful accounts	(In thousands)				
Year ended December 31, 2015	\$21,084	\$6,099	\$1,305	\$ (5,901)	\$22,587
Year ended December 31, 2014	19,309	5,937	194	(4,356)	21,084
Year ended December 31, 2013	17,242	2,878	2,623	(3,434)	19,309

⁽¹⁾ Represents allowance for doubtful accounts in connection with certain acquisitions and divestitures.

⁽²⁾ Includes a reduction in the allowance for doubtful accounts due to write-off of accounts receivable.