

WESCO INTERNATIONAL INC

Form 10-K

February 25, 2011

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

**Commission file number 001-14989
WESCO International, Inc.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

25-1723342

(I.R.S. Employer
Identification No.)

**225 West Station Square Drive
Suite 700**

Pittsburgh, Pennsylvania
(Address of principal executive offices)

15219

(Zip Code)

(412) 454-2200

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Class

Name of Exchange on which registered

Common Stock, par value \$.01 per share

New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes No

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The registrant estimates that the aggregate market value of the voting shares held by non-affiliates of the registrant was approximately \$1,379.8 million as of June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on the New York Stock Exchange for such stock.

As of February 21, 2011, 43,045,119 shares of Common Stock, par value \$.01 per share, of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Part III of this Form 10-K incorporates by reference portions of the registrant's Proxy Statement for its 2011 Annual Meeting of Stockholders.

WESCO INTERNATIONAL, INC.
Annual Report on Form 10-K for the Fiscal Year Ended
December 31, 2010
TABLE OF CONTENTS

	Page
<u>PART I</u>	
<u>Item 1. Business</u>	2
<u>Item 1A. Risk Factors</u>	11
<u>Item 1B. Unresolved Staff Comments</u>	14
<u>Item 2. Properties</u>	14
<u>Item 3. Legal Proceedings</u>	15
<u>PART II</u>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	16
<u>Item 6. Selected Financial Data</u>	17
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risks</u>	28
<u>Item 8. Financial Statements and Supplementary Data</u>	29
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	58
<u>Item 9A. Controls and Procedures</u>	58
<u>Item 9B. Other Information</u>	58
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	59
<u>Item 11. Executive Compensation</u>	59
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	59
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	59
<u>Item 14. Principal Accountant Fees and Services</u>	59
<u>PART IV</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	60
<u>Signatures</u>	65
<u>EX-21.1</u>	
<u>EX-23.1</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents

PART I

Item 1. Business.

In this Annual Report on Form 10-K, WESCO refers to WESCO International, Inc., and its subsidiaries and its predecessors unless the context otherwise requires. References to we, us, our and the Company refer to WESCO and its subsidiaries.

The Company

WESCO International, Inc. (WESCO International), incorporated in 1993 and formed in February 1994 upon acquiring a distribution business from Westinghouse Electric Corporation, is a leading North American distributor of products and provider of advanced supply chain management and logistics services used primarily in industrial, construction, utility and commercial, institutional and government markets. We serve over 100,000 customers globally, including a large percentage of Fortune 1000 companies, through approximately 400 full service branches and seven distribution centers located in the United States, Canada, Mexico, United Kingdom, Singapore, China, Australia, Africa and the United Arab Emirates. At the end of 2010, we had approximately 6,800 employees worldwide.

We are a leading provider 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. Our primary product categories include general electrical and industrial supplies, wire, cable and conduit, data communications, power distribution equipment, lighting and lighting control systems, control and automation and motors. We expanded upon our communications product offerings in December 2010 upon acquiring TVC Communications, L.L.C (TVC Communications), a leading distributor of broadband communications network infrastructure products serving the cable, telecommunications and satellite industries. We distribute over 1,000,000 products from more than 17,000 suppliers utilizing a highly automated, proprietary electronic procurement and inventory replenishment system. In addition, we offer a comprehensive portfolio of value-added services, which includes supply chain management, logistics and transportation procurement, warehousing and inventory management, as well as kitting, limited assembly of products and system installation. Our value-added capabilities, extensive geographic reach, experienced workforce and broad product and supply chain solutions have enabled us to grow our business and establish a leading position in North America.

Industry Overview

We operate in highly fragmented markets that include thousands of small regional and locally based, privately owned competitors. In 2009, the latest year for which market share data is available, the five largest national distributors, including us, accounted for approximately 29% of estimated total electrical distribution industry sales in the United States. Our global account, integrated supply and OEM programs provide customers with a regional, national, North American and, in some cases, global supply chain consolidation opportunity. The demand for these programs has grown in recent years, driven primarily by the desire of companies to reduce operating expenses by implementing third-party programs for the operational and administrative functions associated with the procurement, management and utilization of MRO supplies and OEM components. We believe that significant opportunities exist for further expansion of these programs, as the total potential in the United States for purchases of supplies and services across all market segments and channels is currently estimated to be greater than \$500 billion.

According to published sources, the electrical distribution industry has grown at an approximately 5% compound annual rate over the past 20 years. This expansion has been driven by general economic growth, increased price levels for key commodities, increased use of electrical products in businesses and industries, new products and technologies and the proliferation of enhanced building and safety codes and the internet. Wholesale distributors have also grown as a result of a long term shift in procurement preferences that favor the use of distributors over direct relationships with manufacturers.

Markets and Customers

We have a large base of over 100,000 customers across a diverse set of end markets. Our top ten customers accounted for approximately 12% of our sales in 2010. No one customer accounted for more than 4% of our sales in 2010.

Table of Contents

The following table outlines our sales breakdown by end market:

Year Ended December 31,	2010	2009	2008
<i>(percentages based on total sales)</i>			
Industrial	42%	40%	43%
Construction	38%	36%	35%
Utility	13%	17%	16%
Commercial, Institutional and Governmental	7%	7%	6%

Industrial. Sales to industrial customers of MRO, OEM, and construction products and services accounted for approximately 42% of our sales in 2010, compared to 40% in 2009. MRO and capital expansion product categories include a broad range of electrical supplies as well as lubricants, pipe, valves, fittings, fasteners, cutting tools and power transmission products. OEM customers require a reliable supply of assemblies and components to incorporate into their own products as well as value-added services such as supplier consolidation, design and technical support, just-in-time supply and electronic commerce.

Construction. Sales of electrical and communications products to construction contractors accounted for approximately 38% of our sales in 2010, compared to 36% in 2009. Customers include a wide array of contractors and engineering, procurement and construction firms for industrial, infrastructure, commercial and data communications projects for applications such as refineries, railways, hospitals, wastewater treatment facilities, data centers, security installations, offices, and modular and mobile homes. Products purchased by electrical subcontractors typically account for approximately 40% to 50% of their installed project cost, making accurate cost estimates and competitive material costs critical to a contractor's success in winning and completing profitable projects. In addition to a wide array of electrical products, we offer contractors data communications products such as IT/network modernization, physical security upgrades, broadband deployments, network security, and disaster recovery.

Utility. Sales to utilities and utility contractors accounted for approximately 13% of our sales in 2010, compared to 17% in 2009. Customers include large investor-owned utilities, rural electric cooperatives, municipal power authorities and contractors that serve these customers. We provide our utility customers with products and services to support the construction and maintenance of their transmission and distribution lines along with an extensive range of supplies to meet their power plant MRO and capital projects needs. Full materials management and procurement outsourcing arrangements are also important in this market, as cost pressures and deregulation have caused utility customers to seek improvements in the efficiency and effectiveness of their supply chains.

Commercial, Institutional and Governmental. Sales to CIG customers accounted for approximately 7% of our sales in 2010 and 2009. Customers include schools, hospitals, property management firms, retailers and federal, state and local government agencies of all types, including federal contractors.

Business Strategy

Our goal is to grow organically and through accretive acquisitions at a rate greater than that of our industry. Our organic growth strategy leverages our existing strengths and focuses on initiatives to enhance our sales and customer service, develop new end markets, broaden our product and service offerings and expand our geographic footprint. To complement our organic growth strategy and to expand our ability to serve existing as well as new customers, we intend to pursue strategic acquisitions. We utilize LEAN continuous improvement initiatives on a company-wide basis to deliver operational excellence and improve results. We also extend our LEAN initiatives to customers to improve the efficiency and effectiveness of their operations and supply chains. In addition, we seek to generate a distinct competitive advantage through talent management and employee development processes and programs.

We currently are focusing our growth efforts on the following end markets, product categories and business models:

End Markets**Product Categories****Business Models**

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Construction	Data communications and security products	Global account and integrated supply programs
Government	Lighting systems and sustainability	
International	Wire and cable	
Utility		

Table of Contents

Grow Our Global Account Customer Relationships and Base. Our typical global account customer is a Fortune 1000 industrial or commercial company, a large utility, a major contractor, or a governmental or institutional customer, in each case with multiple locations. Our global account program is designed to provide customers with supply chain management and cost reductions by coordinating and standardizing activity for MRO supplies and OEM direct materials across their multiple locations. Comprehensive implementation plans are managed at the local, national and international levels to identify key performance measures, prioritize activities and track progress against objectives. We involve our preferred suppliers early in the implementation process, where they can contribute expertise and product knowledge to accelerate program implementation and achievement of cost savings and process improvements.

Over the past ten years, we believe revenue growth from our global account programs has exceeded the annual growth rate of the overall electrical distribution industry. Our objective is to continue to increase revenue from our global account programs by expanding our product and service offerings to existing global account customers and expanding our reach to serve additional customer locations. We also plan on expanding our customer base by capitalizing on our industry expertise and supply chain optimization capabilities.

Extend Our Leadership Position in Integrated Supply Programs. Our integrated supply services are focused on customers in the industrial, utility, construction and CIG markets. We combine our personnel, product and distribution expertise, electronic technologies and service capabilities with the customer's own internal resources to meet particular service requirements. Each integrated supply program is configured to significantly reduce the number of suppliers, total procurement costs, and administrative expenses as well as improve operating controls. Our integrated supply programs focus on supply chain optimization and replace the traditional multi-vendor, resource-intensive procurement process with a single, outsourced, fully automated process. Our services range from timely product delivery to a fully outsourced procurement function. We believe that customers will increasingly seek to utilize such services to consolidate and manage their MRO and OEM supply chains. We plan to expand our leadership position as the largest integrated supply services provider of MRO supplies in the United States by building upon established relationships within our large customer base and premier supplier network, and extending our services to locations outside the United States.

Expand Our Relationships with Construction Contractors. Our construction sales are focused on contractors, particularly those involved with healthcare, government facilities, enterprise data communications, telecommunication and energy and government infrastructure-related projects. We believe that significant cross selling opportunities exist for electrical and data communications products and we intend to use our global account programs, LEAN initiatives and project management expertise to capitalize on construction business.

Expand Government Business. Our dedicated government business development and sales team is focused on serving federal, state and local government agencies. In addition to coordinating business at a federal, state and local level, we are focused on monitoring all activity and opportunities related to the American Recovery and Reinvestment Act and have seen positive results from these efforts, and plan to continue to emphasize this area of our business in 2011 and 2012.

Expand Our Position in Wire and Cable. Our wire and cable product and service offerings are sold to customers in all our end markets. We are focused on growing our wire and cable business by enhancing our service capabilities and expanding our wire and cable geographic presence. In addition, we have a team of specialists working directly with our sales force to provide our customers with single source wire and cable solutions.

Expand Products and Services for Utilities. Our utility customers continue to be focused on operating efficiency and cost reduction. As a result, we anticipate an increase in distribution grid improvement and transmission expansion projects. Accordingly, we are focused on expanding our logistical and project services, integrated supply services and project management programs to increase our scope of supply on distribution grid transmission, generation and alternative energy projects.

Expand International Operations. We seek to capitalize on existing and emerging international market opportunities through collaborative investments with key customers and suppliers. We follow our established customers and pursue business that we believe utilizes and extends our existing capabilities. During 2010, we established a commercial presence in Columbia, Spain, Brazil and Belgium through the acquisition of TVC

Communications. We believe this strategy of working through well-developed customer and supplier relationships significantly reduces risk and provides the opportunity to establish profitable business. Our priorities are focused on global energy and construction projects, as well as attractive vertical markets such as infrastructure, data communications, alternative energy and integrated supply and procurement outsourcing.

Grow Our Communications Products Position. Over the last several years, there has been a convergence of electrical and data communications contractors. Our ability to provide both electrical and communications products and services lines as well as automation, electromechanical, non-electrical MRO, physical security and utility products has presented expanded cross selling opportunities across WESCO. Communications products have continued to be in strong demand due to networking upgrades, low voltage security investments, data center upgrades and increasing broadband utilization. We are investing in the expansion of our

Table of Contents

communications sales force and geographic footprint. In December 2010, we expanded our capabilities into broadband and telecommunication product lines with the acquisition of TVC Communications.

Grow Lighting System Sales. Lighting applications are undergoing significant innovation driven by energy efficiency and sustainability trends. We expanded our sales team and marketing initiatives in 2010 and will continue to focus significant resources on this product category as we believe the trends in lighting systems will provide attractive growth opportunities for the next several years.

Increase Business in Sustainable Technologies. Demand is building for sustainable and energy efficient solutions in the electrical and industrial distribution industry, and we are integrating green technologies into our product and service offerings. Our goal is to help our customers meet their environmental sustainability objectives by providing world-class sustainable products and solutions from leading manufacturers. We also provide the education and resources that organizations need to deploy these solutions.

Pursue Strategic Acquisitions. Since 1995, we have completed 34 acquisitions. In 2010, we acquired two businesses: Potelcom Supply, Inc. (Potelcom) and TVC Communications. We believe that the highly fragmented nature of the electrical and industrial distribution industry will continue to provide acquisition opportunities. We expect that any future acquisitions will be financed with internally generated funds, additional debt and/or the issuance of equity securities.

Drive Operational Excellence. LEAN continuous improvement is a set of company-wide strategic initiatives to increase efficiency and effectiveness across the entire business enterprise, including sales, operations and administrative processes. The basic principles behind LEAN are to systematically identify and implement improvements through simplification, elimination of waste and reduction in errors. We apply LEAN in our distribution environment, and develop and deploy numerous initiatives through the Kaizen approach targeting improvements in sales, margin, warehouse operations, transportation, purchasing, inventory, accounts receivable, accounts payable, and administrative processes. Our objective is to continue to implement LEAN initiatives across our business enterprise and to extend LEAN services to our customers.

Talent Management. Our strategy is to develop a distinct competitive advantage through talent management and employee development. We believe our ability to attract, develop and retain diverse human capital is imperative to business success. We improve workforce capability through various programs and processes that identify, recruit, develop and promote our talent base. We have made significant enhancements in these programs over the last several years and we expect to continue to refine and enhance these programs in the future.

Products and Services

Products

Our network of branches and distribution centers stock more than 250,000 unique product stock keeping units and we provide customers with access to more than 1,000,000 different products. Each branch tailors its inventory to meet the needs of its local customers.

Representative product categories and associated product lines that we offer include:

General and Industrial Supplies. Wiring devices, fuses, terminals, connectors, boxes, enclosures, fittings, lugs, terminations, tape, splicing and marking equipment, tools and testers, safety and security, personal protection, abrasives, cutting tools, tapes, consumables, fasteners, janitorial and other MRO supplies;

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

Communications Products. Structured cabling systems, broadband products, low voltage specialty systems, specialty wire and cable products, equipment racks and cabinets, access control, alarms, cameras, paging and voice solutions;

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

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

Control, Automation and Motors. Motor control devices, drives, surge and power protection, relays, timers, pushbuttons, operator interfaces, switches, sensors, and interconnects.

Table of Contents

The following table sets forth sales information about our sales by product category:

Year Ended December 31,	2010	2009	2008
<i>(percentages based on total sales)</i>			
General and Industrial Supplies	35%	35%	35%
Wire, Cable and Conduit	18%	18%	20%
Data Communications	15%	14%	12%
Power Distribution Equipment	12%	13%	13%
Lighting and Controls	10%	11%	10%
Control, Automation and Motors	10%	9%	10%

We purchase products from a diverse group of more than 17,000 suppliers. In 2010, our ten largest suppliers accounted for approximately 32% of our purchases. The largest of these was Eaton Corporation, through its Eaton Electrical division, which accounted for approximately 12% of our total purchases. No other supplier accounted for more than 5% of our total purchases.

Our supplier relationships are important to us, providing access to a wide range of products, technical training, and sales and marketing support. We have preferred supplier agreements with more than 300 of our suppliers and purchase over 60% of our products pursuant to these agreements. Consistent with industry practice, most of our agreements with suppliers, including both distribution agreements and preferred supplier agreements, are terminable by either party on 60 days notice or less.

Services

We offer customers a comprehensive portfolio of value added services which includes more than 40 value add solutions, in ten categories ranging from construction, project management, e-business, energy, engineering services, green and sustainability, production support, safety, supply chain optimization, training, to working capital. These solutions are designed to address our customer's business needs through:

Outsourcing of the entire MRO purchasing process via integrated supply;

Providing technical support for manufacturing process improvements;

Implementing inventory optimization programs, including just-in-time delivery and vendor managed inventory;

Participating in joint cost savings teams;

Assigning our employees as on-site support personnel;

Consulting and recommending energy-efficient product upgrades; and

Offering safety and product training for customer employees.

Competitive Strengths

We compete directly with global, national, regional and local distributors of electrical and other industrial supplies. Competition is primarily focused on the local service area, and is generally based on product line breadth, product availability, service capabilities and price. We also compete with buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability. While increased buying power may improve the competitive position of buying groups locally, we believe it is difficult to coordinate a diverse ownership group. Although certain Internet-based procurement service companies, auction businesses and trade exchanges remain in the marketplace, the impact on our business from these competitors has not been significant to date.

Market Leadership. Our ability to manage complex global supply chains, multi-site facility maintenance programs and construction projects that require special sourcing, technical advice, logistical support and locally based service has enabled us to establish a strong presence in our served markets. We have utilized these skills to generate

significant revenues in a broad range of industries with intensive use of electrical and industrial products.

Broad Product Offering and Value-added Services. We provide a wide range of products, services and procurement solutions, which draw on our product knowledge, supply and logistics expertise, system capabilities and supplier relationships to enable our customers to maximize productivity, minimize waste, improve efficiencies, reduce costs and enhance safety. Our broad product

Table of Contents

offering and stable source of supply enables us to consistently meet virtually all of a customer's product and MRO and OEM requirements.

Extensive Distribution Network. We operate approximately 400 geographically dispersed branch locations and seven distribution centers (four in the United States and three in Canada). Our distribution centers add value for our customers, suppliers, and branches through the combination of a broad and deep selection of inventory, online ordering, next-day shipment and central order handling and fulfillment. Our distribution center network reduces the lead-time and cost of supply chain activities through automated replenishment and warehouse management systems and economies of scale in purchasing, inventory management, administration and transportation. This extensive network, which would be difficult and expensive to duplicate, provides us with a distinct competitive advantage and allows us to:

Enhance localized customer service, technical support and sales coverage;

Tailor individual branch products and services to local customer needs; and

Offer multi-site distribution capabilities to large customers and global accounts.

Low Cost Operator. Our competitive position has been enhanced by our consistent favorable operating cost position, which is based on use of LEAN, strategically-located distribution centers, and purchasing economies of scale. As a result of these factors, our operating cost as a percentage of sales is one of the lowest in our industry. Our selling, general and administrative expenses as a percentage of revenues for 2010 were 15.1%, significantly below our peer group 2010 average of approximately 18.5%, according to the National Association of Electrical Distributors.

Geography

Our network of branches and distribution centers are located primarily in the United States, Canada, and Mexico, with additional locations in the United Kingdom, Singapore, China, Australia, Africa and the United Arab Emirates.

United States. To serve our customers in the United States, we operate a network of approximately 325 branches supported by four distribution centers located in Pennsylvania, Nevada, Mississippi and Arkansas. With sales of approximately \$4,198 million, sales in the United States represented approximately 83% of our total sales in 2010. According to the *Electrical Wholesaling Magazine*, the U.S. electrical wholesale distribution industry had estimated sales of approximately \$80 billion in 2010.

Canada. To serve our Canadian customers, we operate a network of approximately 50 branches in nine provinces. Branch operations are supported by three distribution centers located in Montreal, Edmonton and Vancouver. With sales of approximately \$682 million, sales in Canada represented approximately 13% of our total sales in 2010. Total industry sales in Canada are approximately \$5.9 billion in 2010 according to the Canadian Distribution Council.

Mexico. We have ten branch locations in Mexico. Our headquarters in Tlalnepantla Estado de Mexico operates similar to a distribution center to enhance the service capabilities of the local branches. We pursue business opportunities in the Gulf of Mexico and seek to capitalize on the mining and Maquiladora OEM business opportunities on the United States-Mexican border.

Other International Locations. We sell to global customers through domestic export sales offices located within North America and sales offices in various international locations. Our operations in Aberdeen, Scotland and Manchester, England support sales efforts in Europe and the Middle East. We have operations in Nigeria and Angola to serve West Africa, an office in United Arab Emirates to serve the Middle East, an office in Singapore to support our sales to Asia and West Africa, an office in Perth to serve customers in Western Australia and an office near Shanghai to serve customers in China. All of our international locations have been established to serve our growing list of customers with global operations.

Table of Contents

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

	Net Sales						Long-Lived Assets		
	Year Ended December 31,		Year Ended December 31,		Year Ended December 31,		December 31,		
	2010		2009		2008		2010	2009	2008
<i>(In thousands)</i>									
United States	\$ 4,198,420	83%	\$ 3,928,182	85%	\$ 5,305,744	87%	\$ 117,767	\$ 112,955	\$ 120,185
Canada	682,415	13%	559,367	12%	673,284	11%	12,446	12,343	10,692
Mexico	51,413	1%	39,032	1%	36,802	1%	641	624	764
Subtotal									
North American Operations									
	4,932,248		4,526,581		6,015,830		130,854	125,922	131,641
Other Foreign	131,614	3%	97,373	2%	95,010	2%	325	74	128
Total U.S. and Foreign									
	\$ 5,063,862		\$ 4,623,954		\$ 6,110,840		\$ 131,179	\$ 125,996	\$ 131,769

Intellectual Property

We currently have trademarks, patents and service marks registered with the U.S. Patent and Trademark Office. The registered trademarks and service marks include: WESCO®, our corporate logo and the running man logo. Go Green with WESCO and LEAN GREEN with WESCO were added to our trademark portfolio in 2009 in an effort to promote our sustainability and environmentally friendly sales and marketing initiatives. These trademarks and service mark applications have been filed in various foreign jurisdictions, including Canada, Mexico, the United Kingdom, Singapore, China, Hong Kong, Thailand and the European Community.

Environmental Matters

Our facilities and operations are subject to federal, state and local laws and regulations relating to environmental protection and human health and safety. Some of these laws and regulations may impose strict, joint and several liabilities on certain persons for the cost of investigation or remediation of contaminated properties. These persons may include former, current or future owners or operators of properties and persons who arranged for the disposal of hazardous substances. Our owned and leased real property may give rise to such investigation, remediation and monitoring liabilities under environmental laws. In addition, anyone disposing of certain products we distribute, such as ballasts, fluorescent lighting and batteries, must comply with environmental laws that regulate certain materials in these products.

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

Seasonality

Our operating results are not significantly affected by seasonal factors. Sales during the first and fourth quarters are generally 1-3% below the sales of the second and third quarters, due to a reduced level of activity during the winter months of November through February. 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.

Website Access

Our Internet address is www.wesco.com. Information contained on our website is not part of, and should not be construed as being incorporated by reference into, this Annual Report on Form 10-K. We make available free of charge under the Investors heading on our website our annual reports on Form 10-K, quarterly reports on Form 10-Q,

current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as well as our Proxy Statements, as soon as reasonably practicable after such documents are electronically filed or furnished, as applicable, with the Securities and Exchange Commission (the SEC). You also may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549-0213. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers like us who file electronically with the SEC.

Table of Contents

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

Forward-Looking Information

This Annual Report on Form 10-K contains various forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve certain unknown risks and uncertainties, including, among others, those contained in Item 1, Business, Item 1A, Risk Factors, and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. When used in this Annual Report on Form 10-K, the words anticipates, plans, believes, estimates, intends, expects, projects, will and similar expressions identify forward-looking statements, although not all forward-looking statements contain such words. Such statements, including, but not limited to, our statements regarding business strategy, growth strategy, competitive strengths, productivity and profitability enhancement, competition, new product and service introductions and liquidity and capital resources are based on management's beliefs, as well as on assumptions made by and information currently available to, management, and involve various risks and uncertainties, some of which are beyond our control. Our actual results could differ materially from those expressed in any forward-looking statement made by us or on our behalf. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will in fact prove to be accurate. We have undertaken no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents**Executive Officers**

Our executive officers and their respective ages and positions as of February 24, 2011, are set forth below.

Name	Age	Position
Roy W. Haley	64	Executive Chairman
John J. Engel	49	President and Chief Executive Officer
Stephen A. Van Oss	56	Senior Vice President and Chief Operating Officer
Richard P. Heyse	48	Vice President and Chief Financial Officer
Daniel A. Brailer	53	Vice President, Treasurer and Investor Relations
Allan A. Duganier	55	Director of Internal Audit
Timothy A. Hibbard	54	Corporate Controller
Diane E. Lazzaris	44	Vice President, Legal Affairs
Kimberly G. Windrow	53	Vice President, Human Resources

Set forth below is biographical information for our executive officers listed above.

Roy W. Haley has served as Executive Chairman since September 2009 and has been our Chairman of the Board since 1998. Previously, he also served as our Chief Executive Officer from 1994 to September 2009. From 1988 to 1993, Mr. Haley served as Chief Operating Officer, President and as a director of American General Corporation, a diversified financial services company. Mr. Haley also serves as a director and chairman of the audit committees of United Stationers, Inc. and Cambrex Corporation, and as a director of the Federal Reserve Bank of Cleveland.

John J. Engel has served as President and Chief Executive Officer since September 2009. Previously, Mr. Engel served as our Senior Vice President and Chief Operating Officer from 2004. From 2003 to 2004, Mr. Engel served as Senior Vice President and General Manager of Gateway, Inc. From 1999 to 2002, Mr. Engel served as an Executive Vice President and Senior Vice President of Perkin Elmer, Inc. From 1994 to 1999, Mr. Engel served as a Vice President and General Manager of Allied Signal, Inc. and held various engineering, manufacturing and general management positions at General Electric Company from 1985 to 1994.

Stephen A. Van Oss has served as Senior Vice President and Chief Operating Officer from September 2009. Previously, Mr. Van Oss served as our Senior Vice President and Chief Financial and Administrative Officer from 2004 to September 2009. From 2000 to 2004, he served as our Vice President and Chief Financial Officer. From 1997 to 2000, Mr. Van Oss served as our Director, Information Technology and, in 1997, as our Director, Acquisition Management. From 1995 to 1996, Mr. Van Oss served as Chief Operating Officer and Chief Financial Officer of Paper Back Recycling of America, Inc. Mr. Van Oss serves as a director of Cooper-Standard Holdings Inc. and as the chairman of its audit committee. He also serves as a trustee of Robert Morris University and is a member of its finance and government committees.

Richard P. Heyse has served as our Vice President and Chief Financial Officer since June 2009. From April 2005 to May 2009, he served as Vice President and Chief Financial Officer of Innophos Holdings, a North American producer of specialty phosphates. From 2001 to 2005, he served as Division Controller for the chemical and specialty polymers businesses of Eastman Chemical Company. Mr. Heyse also has held various positions in Finance, IT and Engineering with Koch Industries, Eaton Corporation and International Paper.

Daniel A. Brailer has served as our Vice President, Treasurer and Investor Relations since May 2006. From 1999 to May 2006, he served as our Treasurer and Director of Investor Relations. Prior to joining the Company, Mr. Brailer served in various positions at Mellon Financial Corporation, most recently as Senior Vice President.

Allan A. Duganier has served as our Director of Internal Audit since January 2006. From 2001 to January 2006, Mr. Duganier served as our Corporate Operations Controller and, from 2000 to 2001, as our Industrial/Construction Group Controller.

Timothy A. Hibbard has served as our Corporate Controller since July 2006. From 2002 to July 2006, he served as Corporate Controller at Kennametal Inc. From 2000 to February 2002, Mr. Hibbard served as Director of Finance of Kennametal's Advanced Materials Solutions Group, and, from 1998 to 2000, he served as Controller of Greenfield Industries, Inc., a subsidiary of Kennametal Inc.

Diane E. Lazzaris has served as our Vice President, Legal Affairs since February 2010. From February 2008 to February 2010, Ms. Lazzaris served as Senior Vice President – Legal, General Counsel and Corporate Secretary of Dick’s Sporting Goods, Inc. From 1994 to February 2008, she held various corporate counsel positions at Alcoa Inc., most recently as Group Counsel to a group of global businesses.

Table of Contents

Kimberly G. Windrow has served as our Vice President, Human Resources since August 2010. From 2004 until July 2010, Ms. Windrow served as Senior Vice President of Human Resources for The McGraw Hill Companies in the Education segment. From 2000 until July 2004, she served as Senior Vice President of Human Resources for The MONY Group, and from 1988 until 1999, she served in various Human Resource positions at Willis, Inc.

Item 1A. Risk Factors.

The following factors, among others, could cause our actual results to differ materially from the forward-looking statements we make. All forward-looking statements attributable to us or persons working on our behalf are expressly qualified by the following factors. This information should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7A, Quantitative and Qualitative Disclosures about Market Risks and the consolidated financial statements and related notes included in this Form 10-K.

Adverse conditions in the global economy and disruptions of financial markets could negatively impact our results of operations.

Our results of operations are affected by the level of business activity of our customers, which in turn is affected by global economic conditions and market factors impacting the industries and markets that they serve. Although economic conditions have been improving, certain global economies and markets continue to experience significant uncertainty and volatility. Adverse economic conditions or lack of liquidity in various markets, particularly in North America, may adversely affect our revenues and operating results. Economic and financial market conditions also affect the availability of financing for projects and for our customers' capital or other expenditures, which can result in project delays or cancellations and thus affect demand for our products. There can be no assurance that any governmental responses to economic conditions or disruptions in the financial markets ultimately will stabilize the markets or increase our customers' liquidity or the availability of credit to our customers. Should one or more of our larger customers declare bankruptcy, it could adversely affect the collectability of our accounts receivable, bad debt reserves and net income. In addition, our ability to access the capital markets may be restricted at a time when we would like, or need, to do so. The global economic and financial environment also may affect our business and financial condition in ways that we currently cannot predict, and there can be no assurance that global economic and market conditions will not adversely affect our results of operations, cash flow or financial position in the future.

An increase in competition could decrease sales or earnings.

We operate in a highly competitive industry and compete directly with global, national, regional and local providers of our products. Some of our existing competitors have, and new market entrants may have, greater resources than us. Competition is primarily focused in the local service area and is generally based on product line breadth, product availability, service capabilities and price. Other sources of competition are buying groups formed by smaller distributors to increase purchasing power and provide some cooperative marketing capability.

Existing or future competitors may seek to gain or retain market share by reducing prices, and we may be required to lower our prices or may lose business, which could adversely affect our financial results. Also, to the extent that we do not meet changing customer preferences or demands or to the extent that one or more of our competitors becomes more successful with private label products or otherwise, our ability to attract and retain customers could be materially adversely affected. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions. In addition, it is possible that competitive pressures resulting from industry consolidation could affect our growth and profit margins.

Our outstanding indebtedness requires debt service commitments that could adversely affect our ability to fulfill our obligations and could limit our growth and impose restrictions on our business.

As of December 31, 2010, we had \$908.3 million of consolidated indebtedness (excludes debt discount), including \$150 million in aggregate principal amount of 7.50% Senior Subordinated Notes due 2017 (the 2017 Notes) and \$345.0 million in aggregate principal amount of 6.0% Convertible Senior Debentures due 2029 (the 2029 Debentures). Our consolidated indebtedness also includes our mortgage facility, revolving credit facility, which has an aggregate borrowing capacity of \$375.0 million, and accounts receivable securitization facility (the Receivables Facility), through which we sell up to \$450 million of our accounts receivable to a third-party conduit. We and our subsidiaries may undertake additional borrowings in the future, subject to certain limitations contained in the

instruments governing our indebtedness.

Our debt service obligations have important consequences, including: our payments of principal and interest reduce the funds available to us for operations, future business opportunities and acquisitions and other purposes; they increase our vulnerability to adverse economic, financial market and industry conditions; our ability to obtain additional financing may be limited; they may hinder

Table of Contents

our ability to adjust rapidly to changing market conditions; we may be required to incur additional interest due to the contingent interest features of the 2029 Debentures, which are embedded derivatives; and our financial results are affected by increased interest costs. Our ability to make scheduled payments of principal and interest on our debt, refinance our indebtedness, make scheduled payments on our operating leases, fund planned capital expenditures or to finance acquisitions will depend on our future performance, which, to a certain extent, is subject to economic, financial, competitive and other factors beyond our control. There can be no assurance that our business will continue to generate sufficient cash flow from operations in the future to service our debt, make necessary capital expenditures or meet other cash needs. If unable to do so, we may be required to refinance all or a portion of our existing debt, to sell assets or to obtain additional financing. Our Receivables Facility is subject to renewal in September 2013, and our revolving credit facility is subject to renewal in November 2013. There can be no assurance that available funding or any sale of additional receivables or additional financing will be possible at the times of renewal in amounts or terms favorable to us, if at all.

Over the next three years, we expect to repay approximately \$413.0 million of indebtedness, of which \$370.0 million is related to our Receivables Facility, \$39.2 million is related to our mortgage credit facility, \$2.9 million is related to capital leases, and \$0.2 million is related to our 1.75% Convertible Senior Debentures due 2026 (the 2026 Debentures) and notes payable associated with acquisitions.

Certain events or conditions could lead to interruptions in our operations, which may materially adversely affect our business, financial condition or results of operations.

We operate a number of facilities and we coordinate company activities, including information technology systems and administrative services and the like, through our headquarters operations. Our operations depend on our ability to maintain existing systems and implement new technology, which includes allocating sufficient resources to periodically upgrade our information technology systems, and to protect our equipment and the information stored in our databases against both manmade and natural disasters, as well as power losses, computer and telecommunications failures, technological breakdowns, unauthorized intrusions, and other events. If our information technology systems are disrupted, become obsolete or do not adequately support our strategic, operational or compliance needs, it could result in competitive disadvantage and adversely affect our financial results and business operations, including our ability to process orders, receive and ship products, maintain inventories, collect accounts receivable and pay expenses.

We also depend on accessible office facilities, distribution centers and information technology data centers for our operations to function properly. An interruption of operations at any of our distribution centers could have a material adverse effect on the operations of branches served by the affected distribution center. Such disaster related risks and effects are not predictable with certainty and, although they can be mitigated, they cannot be eliminated. We seek to mitigate our exposures to disaster events in a number of ways. For example, where feasible, we design the configuration of our facilities to reduce the consequences of disasters. We also maintain insurance for our facilities against casualties and we continually evaluate our risks and develop contingency plans for dealing with them. Although we have reviewed and analyzed a broad range of risks applicable to our business, the ones that actually affect us may not be those we have concluded most likely to occur. Furthermore, although our reviews have led to more systematic contingency planning, our plans are in varying stages of development and execution, such that they may not be adequate at the time of occurrence for the magnitude of any particular disaster event that befalls us.

We are subject to costs and risks associated with laws and regulations affecting our business.

The complex legal and regulatory environment exposes us to compliance and litigation costs and risks that could materially affect our operations and financial results. These laws and regulations may change, sometimes significantly, as a result of political or economic events. They include tax laws and regulations, import and export laws and regulations, government contracting laws and regulations, labor and employment laws and regulations, securities and exchange laws and regulations (and other laws applicable to publicly-traded companies such as the Foreign Corrupt Practices Act), and environmental laws and regulations. In addition, proposed laws and regulations in these and other areas, such as healthcare, could affect the cost of our business operations.

We must attract, retain and motivate key employees, and the failure to do so may adversely affect our business and results of operations.

Our success depends on hiring, retaining and motivating key employees, including executive, managerial, sales, technical, marketing and support personnel. We may have difficulty locating and hiring qualified personnel. In addition, we may have difficulty retaining such personnel once hired, and key people may leave and compete against us. The loss of key personnel or our failure to attract and retain other qualified and experienced personnel could disrupt or adversely affect our business, its sales and results of operations. In addition, our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover, which may also result in loss of significant customer business, or increased employee benefit costs.

Table of Contents

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

We have expanded our operations through organic growth and selected acquisitions of businesses and assets and may seek to do so in the future. Acquisitions involve various inherent risks, including: problems that could arise from the integration of the acquired business; uncertainties in assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; the potential loss of key employees of an acquired business; the ability to achieve identified operating and financial synergies anticipated to result from an acquisition or other transaction; and unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition or other transaction rationale. Any one or more of these factors could increase our costs or cause us not to realize the benefits anticipated to result from the acquisition of businesses or assets.

Expansion into new business activities, industries, product lines or geographic areas could subject the company to increased costs and risks and may not achieve the intended results.

Engaging in or significantly expanding business activities in international product sourcing, sales and services could subject the company to unexpected costs and risks. Such activities could subject us to increased operating costs, product liability, regulatory requirements and reputational risks. Our expansion in new and existing markets, including with manufacturing related or heavy regulated businesses, may present competitive, distribution and regulatory challenges that differ from current ones. We may be less familiar with the target customers and may face different or additional risks, as well as increased or unexpected costs, compared to existing operations. Growth into new markets may also bring us into direct competition with companies with whom we have little or no past experience as competitors. To the extent we are reliant upon expansion into new geographic, industry and product markets for growth and do not meet the new challenges posed by such expansion, our future sales growth could be negatively impacted, our operating costs could increase, and our business operations and financial results could be negatively affected.

Loss of key suppliers, product cost fluctuations, lack of product availability or inefficient supply chain operations could decrease sales and earnings.

Most of our agreements with suppliers are terminable by either party on 60 days' notice or less. Our ten largest suppliers in 2010 accounted for approximately 32% of our purchases for the period. Our largest supplier in 2010 was Eaton Corporation, through its Eaton Electrical division, accounting for approximately 12% of our purchases. The loss of, or a substantial decrease in the availability of, products from any of these suppliers, a supplier's change in sales strategy to rely less on distribution channels, or the loss of key preferred supplier agreements, could have a material adverse effect on our business. Supply interruptions could arise from shortages of raw materials, effects of economic or financial market conditions on a supplier's operations, labor disputes or weather conditions affecting products or shipments, transportation disruptions, or other reasons beyond our control. In addition, certain of our products, such as wire and conduit, are commodity-price-based products and may be subject to significant price fluctuations which are beyond our control. Furthermore, we cannot be certain that particular products or product lines will be available to us, or available in quantities sufficient to meet customer demand. Such limited product access could cause us to be at a competitive disadvantage. The profitability of our business is also dependent upon the efficiency of our supply chain. An inefficient or ineffective supply chain strategy or operations could increase operational costs, reduce profit margins and adversely affect our business.

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

Our credit facilities also require us to maintain specific earnings to fixed expenses and debt to earnings ratios and to meet minimum net worth requirements. Our credit facilities and the indenture governing the 2017 Notes contain, and any of our future debt agreements may contain, certain covenant restrictions that limit our ability to operate our business, including restrictions on our ability to: incur additional debt or issue guarantees; create liens; make certain investments; enter into transactions with our affiliates; sell certain assets; make capital expenditures; redeem capital stock or make other restricted payments; declare or pay dividends or make other distributions to stockholders; and merge or consolidate with any person. Our credit facilities contain additional affirmative and negative covenants, and our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions.

As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. In addition, our failure to comply with these covenants could result in a default under the Debentures, the 2017 Notes and our other debt, which could permit the holders to accelerate such debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt.

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

As of December 31, 2010, our combined goodwill and intangible assets amounted to \$1,146.0 million, net of accumulated amortization. To the extent we do not generate sufficient cash flows to recover the net amount of any investments in goodwill and other intangible assets recorded, the investment could be considered impaired and subject to write-off. We expect to record further goodwill and other intangible assets as a result of future acquisitions we may complete. Future amortization of such other intangible assets or impairments, if any, of goodwill or intangible assets would adversely affect our results of operations in any given period.

There is a risk that the market value of our common stock may decline.

Stock markets have experienced significant price and trading volume fluctuations, and the market prices of companies in our industry have been volatile. In recent years, volatility and disruption reached unprecedented levels. For some issuers, the markets have exerted downward pressure on stock prices and credit capacity. It is impossible to predict whether the price of our common stock will rise or fall. Trading prices of our common stock will be influenced by our operating results and prospects and by global economic, financial and other factors.

Future sales of our common stock in the public market or issuance of securities senior to our common stock could adversely affect the trading price of our common stock and the value of the Debentures.

Future sales of substantial amounts of our common stock or equity-related securities in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and the value of the Debentures and could impair our ability to raise capital through future offerings of equity or equity-related securities. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale will have on the trading price of our common stock or the value of the Debentures.

There may be future dilution of our common stock.

To the extent options to purchase common stock under our stock option plans are exercised, holders of our common stock will incur dilution. Additionally, our Debentures include contingent conversion price provisions and options for settlement in shares. Based on our current stock price, the Debentures may be converted into common stock which would increase dilution to our stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We have approximately 400 branches, of which approximately 325 are located in the United States, approximately 50 are located in Canada and the remainder are located in Mexico, the United Kingdom, Singapore, China Australia, Africa and the United Arab Emirates. Approximately 20% of our branches are owned facilities, and the remainder are leased.

The following table summarizes our distribution centers:

Location	Square Feet	Leased/Owned
Warrendale, PA	194,000	Owned
Sparks, NV	131,000	Leased
Byhalia, MS	148,000	Owned
Little Rock, AR	100,000	Leased
Dorval, QE	90,000	Leased
Burnaby, BC	65,000	Owned
Edmonton, AB	101,000	Leased

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

Table of Contents

Item 3. Legal Proceedings.

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

As initially reported in our 2008 Annual Report on Form 10-K, we are a co-defendant in a lawsuit filed in a state court in Indiana in which a customer alleges that we sold defective products manufactured or remanufactured by others and is seeking monetary damages in the amount of \$52 million. We have denied any liability, continue to believe that we have meritorious defenses and intend to vigorously defend ourselves against these allegations. Accordingly, no liability was recorded for this matter as of December 31, 2010.

Information relating to legal proceedings is included in Note 14, Commitments and Contingencies of the Notes to Consolidated Financial Statements and is incorporated herein by reference.

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.