

CONNS INC  
Form S-3  
April 18, 2012  
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As filed with the Securities and Exchange Commission on April 18, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form S-3**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**CONN S, INC.**  
**CONN APPLIANCES, INC.**

(FOR CO-REGISTRANTS, PLEASE SEE TABLE OF CO-REGISTRANTS BELOW)

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**06-1672840**  
(I.R.S. Employer  
Identification Number)

**3295 College Street**

**Beaumont, Texas 77701**

**(409) 832-1696**

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

**Sydney K. Boone**

**Corporate General Counsel and Secretary**

**3295 College Street**

**Beaumont, Texas 77701**

**(409) 832-1696**

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

*Copies to:*

**D. Forrest Brumbaugh**

**Fulbright & Jaworski L.L.P.**

**2200 Ross Avenue, Suite 2800**

**Dallas, Texas 75201**

**(214) 855-8000**

**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. "

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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.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed	Proposed	Amount of Registration Fee(3)
		Maximum Offering Price per Share(2)	Maximum Aggregate Offering Price	
Primary Offering:				
Common Stock, par value \$0.01 per share				
Preferred Stock, par value \$0.01 per share				
Debt Securities				
Warrants				
Rights				
Stock Purchase Contracts				
Depository Shares				
Units				
Guarantees of Debt Securities(4)				
Secondary Offering:				
Common Stock, par value \$0.01 per share				
Total			\$250,000,000	\$28,650

- (1) There are being registered hereunder the following securities, which together shall have an aggregate offering price not to exceed \$250,000,000: (i) such indeterminate number of shares of common stock, such indeterminate number of shares of preferred stock, such indeterminate principal amount of debt securities, such indeterminate number of warrants to purchase common stock, preferred stock or debt securities, such indeterminate number of rights to purchase common stock, preferred stock, warrants or debt securities, such indeterminate amount of stock purchase contracts, such indeterminate amount of depository shares, and such indeterminate number of units including any of these securities, as may be sold by the registrant from time to time, and (ii) such indeterminate number of shares of common stock as may be sold from time to time by selling stockholders described in this registration statement. If any debt securities are issued at an original issue discount, then the offering price of such debt securities shall be in such greater principal amount as shall result in an aggregate initial offering price not to exceed \$250,000,000, less the aggregate dollar amount of all securities previously issued hereunder. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. The securities registered also include such indeterminate amounts and numbers of shares of common stock and numbers of shares of preferred stock, and principal amounts of debt securities, as may be issued upon conversion of or exchange for preferred stock or debt securities that provide for conversion or exchange, upon exercise of warrants or pursuant to the anti-dilution provisions of any such securities. In addition, pursuant to Rule 416 of the rules and regulations under the Securities Act of 1933, as amended (the Securities Act), the securities being registered hereunder include such indeterminate number of securities as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.
- (2) The proposed maximum per unit and aggregate offering prices per class of security will be determined from time to time in connection with the sale of the securities registered under this registration statement.
- (3) Estimated solely for purposes of determining the registration fee pursuant to Rule 457(o) under the Securities Act, and based upon the maximum aggregate offering price of all securities being registered. This registration statement includes a total of \$125,000,000 of unsold securities that had previously been registered under the registrant's registration statement on Form S-3 (333-157390) declared effective by with the Securities and Exchange Commission on April 30, 2009 (the Prior Registration Statement). In connection with the registration of such unsold securities on the Prior Registration Statement, the registrant paid a registration fee of \$4,912.50 for such unsold securities. In accordance with Rule 415(a)(6) of the Securities Act, the registration fee paid for the unsold securities on the Prior Registration Statement will be used to offset the current registration fee due. Accordingly, the amount of the registration fee for the registration of securities under this registration statement of \$28,650 has been reduced by \$4,912.50. Pursuant to 415(a)(6) of the Securities Act, the offering of the unsold

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securities registered under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this registration statement.

- (4) The subsidiaries of Conn s, Inc. that are named as co-registrants, or any of them, may fully and unconditionally guaranty any series of debt securities of Conn s, Inc. and Conn Appliances, Inc. registered hereunder. In addition, debt securities issued by Conn Appliances, Inc. may be accompanied by a guarantee to be issued by Conn s, Inc. and debt securities issued by Conn s, Inc. may be accompanied by a guarantee to be issued by Conn Appliances, Inc. Pursuant to Rule 457(n), no registration fee is payable with respect to any such guarantees.

**The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until Conn s, Inc. 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 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

### TABLE OF CO-REGISTRANTS

The co-registrants listed below are subsidiaries of Conn s, Inc. and may guarantee the debt securities.

#### Exact Name of Co-Registrants as Specified

in its Charter(1)	State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification Number
CAIAIR, Inc.	Delaware	76-0658401
CAI Credit Insurance Agency, Inc.	Louisiana	76-0575846
CAI Holding Co.	Delaware	76-0612675
Conn Credit Corporation, Inc.	Texas	74-1589273
Conn Credit I, LP	Texas	26-3080545
Conn Lending, LLC	Delaware	26-3049857

- (1) The address, including zip code and telephone number, for each co-registrant is 3295 College Street, Beaumont, Texas 77701, (409) 832-1696.

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**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 is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED APRIL 18, 2012**

**PROSPECTUS**

**\$250,000,000**

**CONN S, INC.**

**Common Stock**

**Preferred Stock**

**Debt Securities**

**Guarantees of Debt Securities**

**Warrants**

**Rights**

**Stock Purchase Contracts**

**Depository Shares**

**Units**

**CONN APPLIANCES, INC.**

**Debt Securities**

**Guarantees of Debt Securities**

This prospectus will allow us to issue common stock, preferred stock, debt securities (which may be co-issued by Conn Appliances, Inc. and may be guaranteed by one or more of our subsidiaries), warrants, rights, stock purchase contracts, depository shares and units from time to time at prices and on terms determined at or prior to the offering. This prospectus will also allow Conn Appliances, Inc. to issue debt securities (which would be co-issued with or guaranteed by Conn s, Inc. and may be guaranteed by one or more of our subsidiaries) from time to time at prices and on terms determined at or prior to the offering.

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In addition, this prospectus will allow selling stockholders to be named in a prospectus supplement to offer shares of our common stock from time to time at prices and on terms determined at or prior to the offering. To the extent that any selling stockholder resells any securities, the selling stockholder may be required to provide you with this prospectus and a prospectus supplement identifying and containing specific information about the selling stockholder and the terms of the securities being offered.

We may offer these securities and selling stockholders may offer shares of our common stock up to an aggregate offering price of \$250,000,000.

The specific terms of any offered securities will be described in a prospectus supplement. These securities may be offered to or through one or more underwriters, dealers and agents, directly to purchasers, or through any other manner permitted by law, on a continued or delayed basis. See Plan of Distribution in this prospectus. The plan of distribution for any particular offering of these securities may also be described in any applicable prospectus supplement. This prospectus describes the general terms of these securities. The specific terms of any securities and the specific manner in which they will be offered will be included in one or more prospectus supplements to this prospectus relating to that offering.

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement that contains a description of those securities. The prospectus supplement may add to, change, update or supersede information contained in this prospectus. The prospectus supplement may also contain important information about U.S. federal income tax consequences. You should read carefully this prospectus together with any applicable prospectus supplement and the information incorporated by reference into this prospectus and any applicable prospectus supplement before you decide to invest in our securities.

Our common stock is listed on the NASDAQ Global Select Market under the symbol CONN. On April 16, 2012, the closing price of our common stock as quoted on the NASDAQ Global Select Market was \$18.69 per share. Each prospectus supplement will indicate whether the securities offered thereby are expected to be listed on any securities exchange.

Our principal executive office is located at 3295 College Street, Beaumont, Texas 77701. Our telephone number is (409) 832-1696 and our company website is [www.conns.com](http://www.conns.com). Information on our website is not incorporated into this prospectus and does not constitute a part of this prospectus.

**Investing in our securities involves various risks. You should carefully consider the risk factors in the sections entitled Special Note Regarding Forward-Looking Statements beginning on page 6 and Risk Factors on page 5, the risk factors contained in our filings made with the Securities and Exchange Commission, and the risk factors in any applicable prospectus supplements before deciding to invest in our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of the prospectus is \_\_\_\_\_, 2012

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**You should rely only on the information contained or incorporated by reference into this prospectus. No dealer, sales person or other person is authorized to provide you with any information that differs from the information in this prospectus. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.**



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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the SEC or the Commission, using a shelf registration process. Under this shelf registration process, (i) we may from time to time sell common stock, preferred stock, debt securities (which may be co-issued by Conn Appliances, Inc. and may be guaranteed by one or more of our subsidiaries), warrants to purchase any of such securities, rights to purchase any of such securities, stock purchase contracts, depositary shares and units that include any combination of such securities, (ii) Conn Appliances, Inc. may from time to time sell debt securities (which would be co-issued with or guaranteed by Conn s, Inc. and may be guaranteed by one or more of our subsidiaries), and (iii) selling stockholders to be named in a prospectus supplement may from time to time sell shares of our common stock.

We may offer these securities and selling stockholders may offer shares of our common stock in one or more offerings up to a total aggregate dollar amount of \$250,000,000.

This prospectus provides you with a general description of the securities covered by this prospectus, which is not intended to be a complete description of each security. Each time securities are sold under this shelf registration process, we and/or the selling stockholders will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update, change or supersede any of the information contained in this prospectus or in the documents that we have incorporated by reference into this prospectus. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement, provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus or any prospectus supplement the statement in the document having the later date modifies or supersedes the earlier statement. You should read the prospectus and any applicable prospectus supplement, together with the additional information described under the heading **WHERE YOU CAN FIND MORE INFORMATION**, before deciding to invest in any of the securities being offered. **THIS PROSPECTUS MAY NOT BE USED TO CONSUMMATE A SALE OF SECURITIES UNLESS IT IS ACCOMPANIED BY A PROSPECTUS SUPPLEMENT.**

You should rely only on the information contained or incorporated by reference in this prospectus and any supplement to this prospectus. No dealer, sales person or other person is authorized to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement does not constitute an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

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 reference to 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 the heading **WHERE YOU CAN FIND MORE INFORMATION**.

You should not assume that the information in this prospectus and any prospectus supplement is accurate as of any date other than the date of the document containing the information. Our business, financial condition, results of operations and prospects may have changed since then.

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**PROSPECTUS SUMMARY**

*This summary highlights selected information about us and does not contain all the information that may be important to you. To understand the terms of the securities being offered by this prospectus, the associated prospectus supplement, and any free writing prospectus, we encourage you to read the entire prospectus, especially the risks of investing in the shares described under the section Risk Factors, and the documents identified under the caption Incorporation of Documents by Reference. Unless the context otherwise indicates, references in this prospectus, any prospectus supplement, and any free writing prospectus to (i) Conn s, the Company, we, us and our means Conn s, Inc. and all of its direct and indirect subsidiaries, limited liability companies, and limited partnerships, and (ii) Conn Appliances means our wholly-owned subsidiary, Conn Appliances, Inc.*

**Company Overview**

We are a leading specialty retailer of durable consumer products, and we also provide consumer credit to support our customers purchases of the products that we offer. Currently, we derive our revenue primarily from two sources: (i) retail sales and delivery of consumer electronics, home appliances, furniture and mattresses, lawn and garden equipment and repair service agreements; and (ii) our in-house consumer credit program, including sales of related credit insurance products. We operate a highly integrated and scalable business through our 65 retail stores and our website, providing our customers with a broad range of brand name products, monthly payment options, next day delivery capabilities, and product repair service through well-trained and knowledgeable sales, consumer credit and service personnel. Through our in-house proprietary consumer credit programs, we provided financing, including down payments received, for approximately 60% of our retail sales during the twelve months ended January 31, 2012. Additionally, we offer third-party payment options through GE Capital, for customers with high credit scores, and RAC Acceptance, a rent-to-own payment plan for customers that do not qualify for the other options we offer.

During the past year we have closed or allowed the lease to expire on 11 stores, with one additional announced store closing to be completed during fiscal year 2013. Additionally, we have announced plans to open five to seven new stores during fiscal year 2013 in new markets.

We offer over 2,100 product items, or SKUs, at good-better-best price points in our core retail product categories of:

Consumer Electronics, which includes LED, LCD, plasma, DLP and 3-D televisions, camcorders, digital cameras, Blu-ray and DVD players, video game equipment and software, portable audio, MP3 players and home theater products. We represent such brands as Samsung, Sony, LG, Toshiba, Panasonic, Mitsubishi, Nintendo and Bose;

Home Appliances, which includes refrigerators, freezers, washers, dryers, dishwashers, ranges and room air conditioners. We represent such brands as Whirlpool, Maytag, Frigidaire, Kitchen Aid, Samsung, LG, General Electric, Haier, Dyson, Eureka and Friedrich;

Furniture and Mattresses, which includes living room, bedroom and dining room furniture and related accessories. We represent such brands as Serta, Therapedic, Leggett & Platt, Franklin, Albany, Home Stretch, Vaughn Bassett, Harden, Steve Silver and Jackson Furniture; and

Home office, which includes desktop, notebook, netbook and tablet computers, printers and computer accessories. We represent such brands as Hewlett Packard, Toshiba, Sony, Samsung, Dell and Asus.

We currently offer our products through 65 retail stores located in three states: Texas (57), Louisiana (6) and Oklahoma (2), as well as through our website. We sell our products for cash or for payment through major credit cards, in addition to offering our customers several financing alternatives through our proprietary credit programs

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and third-party financing. Under our proprietary in-house credit program, we offer our customers an installment payment plan. Additionally, at times, we offer customers no-interest financing plans through our in-house credit program and a third-party financing program.

We began as a small plumbing and heating business in 1890. We started selling home appliances to the retail market in 1937 through one store located in Beaumont, Texas. In 1959, we opened our second store and have since grown to 65 stores. We believe that our customer-focused business strategies make us an attractive alternative to appliance and electronics superstores, department stores and other national, regional and local retailers. We strive to provide our customers with:

a broad selection of products at various competitive price points;

next day delivery and installation capabilities;

a high level of customer service;

flexible payment alternatives through our proprietary in-house credit programs and third-party financing;

commissioned and trained sales force; and

product repair or replacement service.

For over 45 years we have offered flexible consumer credit through our proprietary in-house credit program to our credit-worthy customers for purchases of only the products we offer. We believe our consumer credit program differentiates us from our competitors who do not offer similar in-store consumer credit programs, and generates strong customer loyalty and repeat business for us. We believe that our credit customers represent an underserved market that seeks to purchase the latest in consumer goods through access to flexible consumer credit alternatives that are not widely available to them.

We believe that these strategies drive repeat purchases and enable us to generate substantial brand name recognition and customer loyalty. During the twelve months ended January 31, 2012, approximately 72% of our credit customers, based on the number of credit invoices written, were repeat customers, and, as of January 31, 2012, approximately 79% of balances due under our in-house credit program were from customers that have had previous credit accounts with us.

Our decisions to extend consumer credit to our retail customers are made by our internal credit underwriting department located at our corporate office separate and distinct from our retail sales department. Our underwriting process considers one or more of the following elements: credit bureau reporting; income verification; current income and debt levels; a review of the customer's previous credit history with us; the credit risk of the particular products being purchased; and the level of the down payment made at the time of purchase.

In addition to underwriting, we employ our own collections department to service our consumer credit portfolio. Our in-house credit financed sales are secured by the products purchased, which we believe gives us a distinct advantage over other creditors when pursuing collections, especially given that, generally, the products we sell and finance are often times necessities for the home. We employ an intensive credit collection strategy that includes dialer-based calls, virtual calling and messaging systems, field collectors that contact borrowers at their home, collection letters, a legal staff that files lawsuits and attends bankruptcy hearings and voluntary repossession.

By combining our front-end underwriting discipline with the back-end rigor in monitoring and collections, we have achieved an average net loss ratio of 6.5% over the past three fiscal years. As of January 31, 2012, our total portfolio balance was \$643.3 million and the percentage of borrowers who were more than 60 days delinquent was 8.6%. Additionally, we work with our borrowers after they experience financial hardships in



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order to help them re-establish their regular payment habits through our re-aging program. As of January 31, 2012, 13.8% of the total portfolio balance had been re-aged during the term of the financing, thereby extending the contractual term of those customers' financing agreements.

Our principal executive offices are located at 3295 College Street, Beaumont, Texas 77701. Our telephone number is (409) 832-1696, and our company website is [www.conns.com](http://www.conns.com). Information on our website is not incorporated into this prospectus and does not constitute a part of this prospectus.

**Guarantor Entities**

One or more of our subsidiaries may fully and unconditionally guarantee any series of our debt securities (which may be co-issued by Conn Appliances) offered under this prospectus, as set forth in a related prospectus supplement. We, along with one or more of our subsidiaries, may also fully and unconditionally guarantee any series of debt securities of Conn Appliances offered under this prospectus, as set forth in a related prospectus supplement. These entities are sometimes referred to in this prospectus as possible guarantor entities. The term "guarantor entities" with respect to a series of debt securities refers to the entities, if any, that guaranty that series of debt securities. The applicable prospectus supplement will name the guarantor entities, if any, for that series of debt securities and will describe the terms of the guarantee by the guarantor entities.

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**RISK FACTORS**

An investment in our securities involves various risks. Before you decide whether to purchase any of our securities, you should carefully consider the risks described in any applicable prospectus supplement, together with all of the other information appearing in this prospectus or incorporated by reference into this prospectus, including without limitation, any risk factors discussed in our Annual Report on Form 10-K and any other filings made with the SEC, in light of your particular investment objectives and financial circumstances. The risks so described are not the only risks facing our company. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, financial conditions, or results of operations could be materially adversely affected by any of these risks. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated into this prospectus by reference contain forward-looking statements. We sometimes use words such as believe, may, will, estimate, continue, anticipate, intend, expect, project or the negative of such terms or other similar expressions they relate to us, our management and our industry, to identify forward-looking statements. Forward-looking statements relate to our expectations, beliefs, plans, strategies, prospects, future performance, anticipated trends and other future events. We have based our forward-looking statements largely on our current expectations and projections about future events and financial trends affecting our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions about us that may cause actual results to differ from these forward-looking statements include, but are not limited to:

the success of our growth strategy and plans regarding opening new stores and entering adjacent and new markets, including our plans to continue expanding into existing markets;

our intention to update, relocate or expand existing stores;

the effect of closing or reducing the hours of operating of existing stores;

our ability to obtain capital for required capital expenditures and costs related to the opening of new stores or to update, relocate or expand existing stores;

our ability to open and profitably operate new stores in existing, adjacent and new geographic markets;

our ability to introduce additional product categories;

technological and market developments, growth trends and projected sales in the home appliance and consumer electronics industry, including, with respect to digital products like Blu-ray players, HDTV, LED and 3-D televisions, tablets, home networking devices and other new products, and our ability to capitalize on such growth;

the potential for price erosion or lower unit sales points that could result in declines in revenues;

our relationships with key suppliers and their ability to provide products at competitive prices and support sales of their products through their rebate and discount programs;

the potential for deterioration in the delinquency status of our credit portfolio or higher than historical net charge-offs in the portfolio that could adversely impact earnings;

our inability to continue to offer existing customer financing programs or make new programs available that allow consumers to purchase products at levels that can support our growth;

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our ability to renew or replace our existing borrowing facilities on or before the maturity dates of the facilities;

our ability to fund our operations, capital expenditures, debt repayment and expansion from cash flows from operations, borrowings from our asset-based revolving credit facility, and proceeds from securitizations or accessing other debt or equity markets;

our ability to obtain additional funding for the purpose of funding the customer receivables we generate;

our ability to profitably expand our credit operations;

our ability to maintain compliance with debt covenant requirements, including taking the actions necessary to maintain compliance with the covenants, such as obtaining amendments to the borrowing facilities that modify the covenant requirements, which could result in higher borrowing costs;

our ability to obtain capital to fund expansion of our credit portfolio;



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reduced availability under our asset-based revolving credit facility as a result of borrowing base requirements and the impact on the borrowing base calculation of changes in the performance or eligibility of the customer receivables financed by that facility;

the ability of the financial institutions providing lending facilities to us to fund their commitments;

the effect of any downgrades by rating agencies of our lenders on borrowing costs;

the effect on our borrowing cost of changes in laws and regulations affecting the providers of debt financing;

the cost or terms of any amended, renewed or replacement credit facilities;

the effect of rising interest rates or borrowing spreads that could increase our cost of borrowing;

the effect of changes in our credit underwriting and collection practices and policies;

general economic conditions in the regions in which we operate;

both the short-term and long-term impact of adverse weather conditions (e.g. hurricanes) that could result in volatility in our revenues and increased expenses and casualty losses;

the outcome of litigation or government investigations affecting our business;

the potential to incur expenses and non-cash write-offs related to decisions to close store locations and settling our remaining lease obligations and our initial investment in fixed assets and related store costs;

the effect of rising interest rates or other economic conditions that could impair our customers' ability to make payments on outstanding credit accounts;

the effect of changes in oil and gas prices that could adversely affect our customers' shopping decisions and patterns, as well as the cost of our delivery and service operations and our cost of products, if vendors pass on their additional fuel costs through increased pricing for products;

the ability to attract and retain qualified personnel;

changes in laws and regulations and/or interest, premium and commission rates allowed by regulators on our credit, credit insurance and repair service agreements as allowed by those laws and regulations;

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the laws and regulations and interest, premium and commission rates allowed by regulators on our credit, credit insurance and repair service agreements in the states into which we may expand;

the adequacy of our distribution and information systems and management experience to support our expansion plans;

the accuracy of our expectations regarding competition and our competitive advantages;

the potential for market share erosion that could result in reduced revenues;

the accuracy of our expectations regarding the similarity or dissimilarity of our existing markets as compared to new markets we enter;

the use of third-parties to complete certain of our distribution, delivery and home repair services; and

changes in our stock price or the number of shares we have outstanding.

Additional important factors that could cause our actual results to differ materially from our expectations are discussed under Risk Factors above. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances included or incorporated by reference into this prospectus might not happen. Accordingly, you are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements included or incorporated by reference into this prospectus reflect our views and assumptions

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only as of the date of this prospectus or the applicable incorporated document. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. All forward-looking statements attributable to us, or to persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

**USE OF PROCEEDS**

Unless otherwise provided in an applicable prospectus supplement, we currently intend to use the net proceeds from the sale of the securities under this prospectus by us for general corporate purposes, which may include general and administrative expenses, capital expenses, repayment or refinancing of debt, acquisitions of, or investment in, properties, companies, subsidiaries or assets that complement our business, or repurchasing or redeeming our securities. We will set forth in a prospectus supplement relating to a specific offering by us our intended use for the net proceeds received from the sale of securities in that offering. Pending the application of the net proceeds, we may to invest net proceeds in marketable securities and/or short-term investment grade and U.S. government securities.

We will not receive any proceeds from the sale of shares of our common stock by any selling stockholder.

**SELLING STOCKHOLDERS**

This prospectus relates in part to the possible sale by certain of our stockholders, who own shares of our common stock. Certain of the shares of our common stock included in this prospectus for resale by the selling stockholders were acquired when certain securities of our predecessor companies were converted into shares of our common stock at or around the time of our initial public offering. These securities of our predecessor companies were originally acquired in a transaction in 1998 under an exemption from registration under Section 4(2) of the Securities Act and Regulation D promulgated thereunder for transactions by an issuer not involving a public offering. In addition, some of the shares of our common stock included in this prospectus for resale by the selling stockholders were acquired in 2002 from a stockholder who was an executive of our company. The remaining shares of common stock that may be offered by the selling stockholders were acquired in our December 2010 rights offering. The issuance of shares of common stock acquired in the rights offering was registered under our prior universal shelf registration statement. The initial purchasers of these securities, as well as their transferees, pledges, donees or successors, all of whom are referred to herein as selling stockholders, may from time to time offer and sell such securities pursuant to this prospectus and any applicable prospectus supplement.

The applicable prospectus supplement will set forth the name of each of the selling stockholders, the amount of our common stock owned by each selling stockholder prior to the offering, the number of shares of our common stock to be offered by each selling stockholder and the amount of our common stock to be owned by each selling stockholder after completion of the offering. The applicable prospectus supplement will also disclose whether any of the selling stockholders has held any position or office with, has been employed by or otherwise has had a material relationship with us (or any of our predecessors or affiliates) during the three years prior to the date of such prospectus supplement.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratios of earnings to fixed charges for the periods indicated below. You should read these ratios of earnings to fixed charges in connection with our consolidated financial statements, including the notes to those statements, which are incorporated by reference into this prospectus.

	<b>Year Ended January 31,</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Ratio of Earnings to Fixed Charges(1)	1.0	1.2	2.6	2.7	

(1) Due to our loss in the fiscal year ended January 31, 2012, the ratio coverage was less than 1:1. Additional earnings of \$3.9 million would have been required to achieve a ratio of 1:1. For the fiscal year ended January 31, 2012, we incurred charges of approximately \$11.1 million related to the repayment of our term loan that are not included in amortized premiums and expenses within fixed charges above. This amount included a prepayment premium of \$4.8 million, write-off of the unamortized original issue discount of \$5.4 million and deferred financing costs of \$0.9 million.

Ratio of earnings to fixed charges is calculated as income before provision for income taxes plus fixed charges (excluding capitalized interest), divided by fixed charges. Fixed charges consist of the sum of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of the interest within rental expense.

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**DILUTION**

A prospectus supplement will set forth the following information regarding any material dilution of the equity interests of investors purchasing securities in an offering under this prospectus:

the net tangible book value per share of our equity securities before and after the offering;

the amount of the increase in such net tangible book value per share attributable to the cash payments made by purchasers in the offering; and

the amount of the immediate dilution from the public offering price which will be absorbed by such purchasers.

**THE SECURITIES WE MAY OFFER**

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplements, summarize the material terms and provisions of the various types of securities that may be offered. The applicable prospectus supplement relating to any securities will describe the particular terms of the securities offered by that prospectus supplement. If indicated in the applicable prospectus supplement, the terms of the securities may differ from the terms summarized below. The prospectus supplement will also include information, where applicable, about material U.S. federal income tax considerations relating to the securities, and the securities exchange, if any, on which the securities are expected to be listed. The descriptions herein and in the applicable prospectus supplement do not contain all of the information that you may find useful or that may be important to you. You should refer to the provisions of the actual documents whose terms are summarized herein and in the applicable prospectus supplement, because those documents, and not the summaries, define your rights as holders of the relevant securities. For more information, please review the forms of these documents, which are or will be filed with the SEC and will be available as described under the heading **WHERE YOU CAN FIND MORE INFORMATION**.

We may sell from time to time, in one or more offerings:

common stock;

preferred stock;

debt securities (which may be co-issued by Conn Appliances and may be guaranteed by one or more of our subsidiaries);

warrants to purchase any of the securities listed above;

rights to purchase any of the securities listed above;

stock purchase contracts;

depository shares; and

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units that include any combination of the securities listed above.

In addition, Conn Appliances may from time to time sell debt securities (which would be co-issued or guaranteed by Conn s, Inc. and may be guaranteed by one or more of our subsidiaries).

We may offer these securities under this prospectus up to an aggregate offering price of \$250,000,000, less the aggregate offering price of any shares of our common stock the selling stockholders may offer under this prospectus. If debt securities are issued at a discount from their original stated principal amount, then, for purposes of calculating the total dollar amount of all securities issued under this prospectus, we will treat the initial offering price of the debt securities as the total original principal amount of the debt securities.

This prospectus may not be used to consummate a sale of securities unless it is accompanied by a prospectus supplement.

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**DESCRIPTION OF CAPITAL STOCK**

The following description of our common stock and preferred stock, together with the additional information included in any applicable prospectus supplements, summarizes the material terms and provisions of the common stock and preferred stock that may be offered under this prospectus. For the complete terms of our common stock and preferred stock, please refer to our certificate of incorporation and bylaws, which are incorporated by reference into the registration statement, of which this prospectus forms a part. The terms of our common stock and preferred stock may also be affected by Delaware law.

**Authorized Capital Stock**

Our authorized capital stock consists of 40,000,000 shares of common stock, \$0.01 par value per share, and 1,000,000 shares of preferred stock, \$0.01 par value per share. At the 2012 annual meeting of our stockholders, we expect to propose to our stockholders an amendment to our certificate of incorporation to increase the authorized number of shares of our common stock to 50,000,000. As of March 30, 2012, we had 32,281,495 shares of common stock outstanding and no shares of preferred stock outstanding.

**Common Stock**

Subject to the provisions of our certificate of incorporation and limitations prescribed by law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded, we may issue our common stock from time to time upon such terms and for such consideration as may be determined by our board of directors. Generally, the issuance of common stock, up to the aggregate amounts authorized by our certificate of incorporation and any limitations prescribed by law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded, will not require approval of our stockholders.

The holders of our common stock, subject to any rights that may be granted to any preferred stockholders, elect all directors and are entitled to one vote per share on all other matters coming before a stockholders' meeting. Our common stock has no cumulative voting rights. Accordingly, the holders of a majority of the shares of common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they so choose. All shares of common stock participate equally in dividends when and as declared by the board of directors and in net assets on liquidation. The shares of common stock have no preemptive rights to participate in future stock offerings.

***Voting***

For all matters submitted to a vote of stockholders, each holder of common stock is entitled to one vote for each share registered in the stockholder's name. Our common stock does not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Directors are elected by a plurality of the shares voting in person or by proxy. A plurality means receiving the largest number of votes, regardless of whether that is a majority.

***Dividends***

Holders of common stock are entitled to share ratably in any dividends declared by our board of directors, subject to any preferential dividend rights of any outstanding preferred stock. Dividends consisting of shares of common stock may be paid to holders of shares of common stock. It is our current policy to retain future earnings to finance operations and expansion. Accordingly, we have not, and do not contemplate, declaring or paying cash dividends in the foreseeable future. Any future payment of dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors, including the terms of our indebtedness. In addition,

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provisions in agreements governing our long-term indebtedness restrict the amount of dividends that we may pay to our stockholders. See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of our Annual Report on Form 10-K for the year ended January 31, 2012.

### ***Liquidation and Dissolution***

If we are liquidated or dissolve, the holders of our common stock will be entitled to share ratably in all the assets that remain after we pay our liabilities, subject to the prior rights of any outstanding preferred stock.

### ***Other Rights and Restrictions***

Holders of our common stock do not have preemptive rights, are not entitled to the benefits of any sinking fund, and have no right to convert their common stock into any other securities. Our common stock is not subject to redemption by us. Our certificate of incorporation and bylaws do not restrict the ability of a holder of common stock to transfer the stockholder's shares of common stock. When we issue shares of common stock under this prospectus, the shares will be fully paid and non-assessable and will not have, or be subject to, any preemptive or similar rights.

The rights, powers, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of any series of our preferred stock.

### ***Listing***

Our common stock is listed on the NASDAQ Global Select Market, Inc. under the symbol CONN. On April 16, 2012, the closing price of our common stock as quoted on the NASDAQ Global Select Market, Inc. was \$18.69 per share. As of March 16, 2012, we had approximately 50 stockholders of record.

### ***Transfer Agent and Registrar***

The transfer agent and registrar for our common stock is Computershare Limited.

### **Anti-Takeover Provisions of Our Certificate of Incorporation and Bylaws and the Delaware General Corporation Laws**

Our certificate of incorporation and bylaws and the Delaware General Corporation Laws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. These provisions, which are summarized below, are designed to, among other things, discourage coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of us to first negotiate with our board of directors in hopes of improving the terms of any such takeover bids.

### ***Authorized but Unissued Capital Stock***

We currently have 40,000,000 authorized shares of common stock and 1,000,000 authorized shares of preferred stock. Due to our authorized but unissued common stock and preferred stock, our board of directors may be able to discourage or make any attempt to obtain control of us more difficult. If, in the exercise of its fiduciary obligations, our board of directors determines that a takeover proposal is not in our best interest, the board of directors could issue a portion of these shares without stockholder approval, subject to any limitations prescribed by law or the rules of any stock exchange or automated quotation or system on which our securities may be listed or traded. These shares could be issued in one or more transactions that might prevent or make the completion of a proposed change of control transaction more difficult or costly by:

diluting the voting or other rights of the proposed acquiror or insurgent stockholder group;



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creating a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors; or

effecting an acquisition that might complicate or preclude the takeover.

In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights, preferences and limitations of the authorized and unissued shares of our preferred stock. For example, our board of directors could establish one or more series of preferred stock that entitle holders to:

vote separately as a class on any proposed merger or consolidation;

cast a proportionately larger vote together with our common stock on any proposed transaction or other voting matter;

elect directors having terms of office or voting rights greater than those of our other directors;

convert preferred stock into a greater number of shares of our common stock or other securities;

demand redemption at a specified price under prescribed circumstances related to a change of control of us; or

exercise other rights designed to impede a takeover.

### ***Stockholder Action, Special Meeting of Stockholders, Advance Notice Requirements for Stockholder Proposals and Director Nominations***

Our bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors and to bring other business before an annual meeting of our stockholders. For notice of stockholder nominations to be timely, the notice must be received by our secretary not later than the close of business on the 90th calendar day, nor earlier than the close of business on the 120th calendar day, prior to the first anniversary of the date of the preceding year's proxy statement in connection with the preceding year's annual meeting. In addition to these procedures, a stockholder's notice proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. Otherwise, the chairman of a meeting may determine that an individual was not nominated or the other business was not properly brought before the meeting.

### ***No Stockholder Action by Written Consent; Special Meetings.***

Any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by written consent without a meeting unless approved in advance by our board of directors. Special meetings of our stockholders for any purpose or purposes may be called only by our chairman of the board, our president or by a majority of our board of directors.

### ***Delaware Anti-Takeover Provisions***

We are subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly-held Delaware corporation from engaging in any business combination with any person deemed to be an interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless:

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prior to the date that the person became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding those shares owned by persons who are

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directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

on or subsequent to the date that the person became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock not held by the interested stockholder.

Section 203 defines business combination to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, lease, transfer, pledge, or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

any transaction involving the corporation which directly or indirectly materially increases the proportionate share of stock owned by the interested stockholder; or

the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any person beneficially owning 15% or more of the outstanding voting stock of the corporation and any person controlling, controlled by or under common control with that person.

Section 203 may make it more difficult for an interested stockholder to effect various business combinations with us for a three-year period.

The above description of Section 203 of the Delaware General Corporation Law is intended as a summary only and is qualified in its entirety by reference to Section 203 of the Delaware General Corporation Law.

## **Liability and Indemnification of Directors**

As permitted by the Delaware General Corporation Law, we have adopted provisions in our certificate of incorporation and bylaws that provide for the indemnification of our directors and officers to the fullest extent permitted by applicable law. These provisions, among other things, indemnify each of our directors and officers for certain expenses, including judgments, fines, and amounts paid in settling or otherwise disposing of actions or threatened actions, incurred by reason of the fact that such person was a director or officer of Conn's or of any other corporation which such person served in any capacity at the request of Conn's.

In addition, we have entered into indemnification agreements with each of our directors pursuant to which we will indemnify them against judgments, claims, damages, losses, and expenses incurred as a result of the fact that any director, in his capacity as a director, is made or threatened to be made a party to any suit or proceeding. The indemnification agreements also provide for the advancement of certain expenses (such as attorney's fees, witness fees, damages, judgments, fines and settlement costs) to our directors in connection with any such suit or proceeding.

We maintain a directors' and officers' liability insurance policy to insure our directors and officers against certain losses resulting from acts committed by them in their capacities as our directors and officers, including liabilities arising under the Securities Act of 1933, as amended, or the Securities Act.



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**Preferred Stock**

Our certificate of incorporation authorizes our board to issue up to 1,000,000 shares of preferred stock in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or other provisions as may be fixed by the board. While providing desired flexibility in connection with possible acquisitions and other corporate purposes, the issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of the company without further action by the stockholders. Shares of preferred stock may be convertible into common stock based on terms, conditions, rates and subject to such adjustments set by the board. The issuance of preferred stock with voting and conversion rights may also adversely affect the voting power of the holders of common stock, including the loss of voting control to others, and negatively affect any dividend payments or liquidation payments to holders of our common stock. No shares of preferred stock preferred stock are currently outstanding.

If we decide to issue any preferred stock pursuant to this prospectus, we will describe in a prospectus supplement the terms of the preferred stock, including, if applicable, the following:

the title of the series and stated value;

the number of shares of the series of preferred stock offered, the liquidation preference per share, if applicable, and the offering price;

applicable dividend rate(s) or amount(s), period(s) and payment date(s) or method(s) of calculation thereof;

the date from which dividends on the preferred stock will accumulate, if applicable;

any procedures for auction and remarketing;

any provisions for a sinking fund;

any applicable provision for redemption and the price or prices, terms and conditions on which preferred stock may be redeemed;

any securities exchange listing;

any voting rights and powers;

whether interests in the preferred stock will be represented by depositary shares;

the terms and conditions, if applicable, of conversion into shares of our common stock, including the conversion price or rate or manner of calculation thereof;

a discussion of any material U.S. federal income tax considerations;

the relative ranking and preference as to dividend rights and rights upon our liquidation, dissolution or the winding up of our affairs;

any limitations on issuance of any series of preferred stock ranking senior to or on a parity with such series of preferred stock as to dividend rights and rights upon our liquidation, dissolution or the winding up of our affairs; and

any other specific terms, preferences, rights, limitations or restrictions of such series of preferred stock.

All shares of preferred stock offered will, when issued, be validly issued, fully paid and nonassessable.

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**DESCRIPTION OF DEBT SECURITIES**

The following description, together with the additional information we include in any applicable prospectus supplements, summarizes the material terms and provisions of the debt securities that we may offer under this prospectus (which may be co-issued by Conn Appliances and may be guaranteed by one or more of our subsidiaries). Conn Appliances may also from time to time offer debt securities under this prospectus (which would be co-issued or guaranteed by Conn s, Inc. and may be guaranteed by one or more of our subsidiaries). While the terms we have summarized below will apply generally to any future debt securities that may be offered under this prospectus, we will describe the particular terms of any debt securities that may be offered in more detail in the applicable prospectus supplement. If we indicate in a prospectus supplement, the terms of any debt securities offered under that prospectus supplement may differ from the terms we describe below.

Senior notes will be issued under a senior indenture, and subordinated notes will be issued under a subordinated indenture. Each indenture for debt securities issued by us will be entered into between us and a trustee to be named in such indenture. Each indenture for debt securities issued by Conn Appliances will be entered into between Conn Appliances and a trustee to be named in such indenture. We have filed forms of the senior indenture and the subordinated indenture as exhibits to the registration statement, of which this prospectus forms a part. We use the term indentures to refer to both the senior indenture and the subordinated indenture. The indentures will be qualified under the Trust Indenture Act of 1939, or the Trust Indenture Act. We use the term trustee to refer to either the trustee under the senior indenture or the trustee under the subordinated indenture, as applicable.

The following summaries of material provisions of senior notes, subordinated notes and the indentures are subject to, and qualified in their entirety by reference to, the provisions of the indenture applicable to a particular series of debt securities. Except as we may otherwise indicate, the terms of the senior indenture and the subordinated indenture are identical. For purposes of this description, the terms we, us, and our refer to the issuer of the debt securities, which may be us and/or Conn Appliances and will be set forth in an applicable prospectus supplement.

**General**

If we decide to issue any senior notes or subordinated notes pursuant to this prospectus, we will describe in a prospectus supplement the terms of the series of notes, including the following:

the title;

any limit on the amount that may be issued;

whether or not we will issue the series of notes in global form, and, if so, who the depository will be;

the maturity date;

the annual interest rate, which may be fixed or variable, or the method for determining the rate and the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;

whether or not the notes will be secured or unsecured, and the terms of any secured debt;

whether or not the notes will be senior or subordinated;

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the terms of the subordination of any series of subordinated debt;

the place where payments will be payable;

our right, if any, to defer payment of interest and the maximum length of any such deferral period;

the date, if any, after which, and the price at which, we may, at our option, redeem the series of notes pursuant to any optional redemption provisions;



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the date, if any, on which, and the price at which we are obligated, pursuant to any mandatory sinking fund provisions or otherwise, to redeem, or at the holder's option to purchase, the series of notes;

whether the indenture will restrict our ability to pay dividends, or will require us to maintain any asset ratios or reserves;

whether we will be restricted from incurring any additional indebtedness;

a discussion of any material or special U.S. federal income tax considerations;

the denominations in which we will issue the series of notes, if other than denominations of \$1,000 and any integral multiple thereof; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities.

**Guarantees**

Each of the guarantor entities, if any, with respect to a series of debt securities will fully and unconditionally guarantee on an unsecured basis the full and prompt payment of the principal of and any premium and interest on the notes of that series when and as the payment becomes due and payable, whether at maturity or otherwise. As used in this prospectus, the term "guarantor entities" with respect to a series of debt securities refers to the entities, if any, that guarantee that series of debt securities. The applicable prospectus supplement will name the guarantor entities, if any, for that series of debt securities and will describe the terms of the guarantee, if they differ from the terms described in this prospectus. The guarantees, if made, will provide that in the event of a default in the payment of principal of or any premium or interest on a note, the holder of that note may institute legal proceedings directly against the guarantor entities to enforce the guarantees without first proceeding against us. If senior debt securities are so guaranteed, the guarantees will rank equally with all of the guarantor entities' other unsecured and unsubordinated debt from time to time outstanding and senior to any subordinated debt of the guarantor entities. If subordinated debt securities are so guaranteed, the guarantees will be subordinated to all of the guarantor entities' other unsecured and unsubordinated debt from time to time outstanding.

The obligations of each guarantor entity under its guarantee of the debt securities will be limited to the maximum amount that will not result in the obligations of the guarantor entity under the guarantee constituting a fraudulent conveyance or fraudulent transfer under federal or state law, after giving effect to:

all other contingent and fixed liabilities of the guarantor entity; and

any collections from or payments made by or on behalf of any other guarantor entity in respect of the obligations of the guarantor entity under its guarantee.

The guarantee of any guarantor entity may be released under certain circumstances. If we exercise our legal or covenant defeasance option with respect to notes of a particular series as described below in "Discharge," then any guarantor entity will be released with respect to that series.

Further, if no default has occurred and is continuing under the applicable indenture, and to the extent not otherwise prohibited by the applicable indenture, a guarantor entity will be unconditionally released and discharged from the guarantee:

automatically upon any sale, exchange or transfer, whether by way of merger or otherwise, to any person that is not our affiliate, of all of our equity interests in the guarantor entity;

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automatically upon the merger of the guarantor entity into us or any other guarantor entity or the liquidation and dissolution of the guarantor entity; or

following delivery of a written notice by us to the trustee, upon the release of all guarantees by the guarantor entity of any debt of ours for borrowed money, except for any series of notes under the indenture.

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### **Conversion or Exchange Rights**

We will set forth in the applicable prospectus supplement the terms on which a series of debt securities may be convertible into or exchangeable for common stock or other securities of ours. We will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. We may include provisions pursuant to which the number of shares of common stock or other securities of ours that the holders of the series of debt securities receive would be subject to adjustment.

### **Consolidation, Merger or Sale**

The indentures do not contain any covenant that restricts our ability to merge or consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of our assets. However, any successor to or acquirer of such assets must assume all of our obligations under the indentures or the debt securities, as appropriate.

### **Events of Default Under the Indentures**

The following are events of default under the indentures with respect to any series of debt securities that we may issue:

if we fail to pay interest when due and our failure continues for 90 days and the time for payment has not been extended or deferred;

if we fail to pay the principal, or premium, if any, when due and the time for payment has not been extended or delayed;

if we fail to observe or perform any other covenant contained in the notes or the indentures, other than a covenant specifically relating to another series of notes, and our failure continues for 90 days after we receive notice from the trustee or holders of at least 25% in aggregate principal amount of the outstanding notes of the applicable series; and

if we experience specified events of bankruptcy, insolvency or reorganization.

If an event of default with respect to debt securities of any series occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series, by notice to us in writing, and to the trustee if notice is given by such holders, may declare the unpaid principal of, or premium, if any, on and accrued interest, if any, on the debt securities due and payable immediately.

If an event of default with respect to debt securities of any series occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes of that series, by notice to us in writing, and to the trustee if notice is given by such holders, may declare the unpaid principal of, or premium, if any, on and accrued interest, if any, on the notes due and payable immediately.

The holders of a majority in principal amount of the outstanding debt securities of an affected series may waive any default or event of default with respect to the series and its consequences, except uncured defaults or events of default regarding payment of principal, or premium, if any, or interest, unless we have cured the default or event of default in accordance with the indenture. Any waiver shall cure the default or event of default.

Subject to the terms of the indentures, if an event of default under an indenture shall occur and be continuing, the trustee will be under no obligation to exercise any of its rights or powers under such indenture at the request or direction of any of the holders of the applicable series of debt securities, unless such holders have offered the trustee reasonable indemnity. The holders of a majority in principal amount of the outstanding debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust or power conferred on the trustee, with respect to the notes of that series, *provided that*:

the direction so given by the holder is not in conflict with any law or the applicable indenture; and



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subject to its duties under the Trust Indenture Act, the trustee need not take any action that might involve it in personal liability or might be unduly prejudicial to the holders not involved in the proceeding.

A holder of the debt securities of any series will only have the right to institute a proceeding under the indentures or to appoint a receiver or trustee, or to seek other remedies, if:

the holder has given written notice to the trustee of a continuing event of default with respect to that series;

the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series have made written request, and such holders have offered reasonable indemnity to the trustee to institute the proceeding as trustee; and

the trustee does not institute the proceeding, and does not receive from the holders of a majority in aggregate principal amount of the outstanding debt securities of that series other conflicting directions within 60 days after the notice, request and offer.

These limitations do not apply to a suit instituted by a holder of debt securities if we default in the payment of the principal of, or the premium, if any, or interest on, the debt securities.

We will periodically file statements with the trustee regarding our compliance with specified covenants in the indentures.

### **Modification of Indenture; Waiver**

We and the trustee may change an indenture without the consent of any holders with respect to specific matters, including:

to fix any ambiguity, defect or inconsistency in the indenture; or

to change anything that does not materially adversely affect the interests of any holder of notes of any series.

In addition, under the indentures, we and the trustee may change the rights of holders of a series of debt securities with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding debt securities of each series that is affected. However, we and the trustee may only make the following changes with the consent of each holder of any outstanding debt securities affected:

extending the fixed maturity of the series of debt securities;

reducing the principal amount, the rate of interest or any premium payable upon the redemption of any debt securities;

reducing the minimum percentage of notes, the holders of which are required to consent to any amendment.

### **Discharge**

Each indenture provides that we can elect, under specified circumstances, to be discharged from our obligations with respect to one or more series of debt securities, except for obligations to:

register the transfer or exchange of debt securities of the series;

replace stolen, lost or mutilated debt securities of the series;

maintain paying agencies;

hold monies for payment in trust;

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compensate and indemnify the trustee; and

appoint any successor trustee.

In order to exercise our rights to be discharged, we must deposit with the trustee money or government obligations sufficient to pay all the principal of, any premium, if any, and interest on, the debt securities of the series on the dates payments are due.

**Form, Exchange and Transfer**

We will issue the debt securities of each series only in fully registered form without coupons and, unless we otherwise specify in the applicable prospectus supplement, in denominations of \$1,000 and any integral multiple thereof. The indentures provide that we may issue notes of a series in temporary or permanent global form and as book-entry securities that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York, or DTC, or another depository named by us and identified in a prospectus supplement with respect to that series. See Legal Ownership of Securities for a further description of the terms relating to any book-entry securities.

At the option of the holder, subject to the terms of the indentures and the limitations applicable to global securities described in the applicable prospectus supplement, the holder of the debt securities of any series can exchange the debt securities for other debt securities of the same series, in any authorized denomination and of like tenor and aggregate principal amount.

Subject to the terms of the indentures and the limitations applicable to global securities set forth in the applicable prospectus supplement, holders of the debt securities may present the debt securities for exchange or for registration of transfer, duly endorsed or with the form of transfer endorsed thereon duly executed if so required by us or the security registrar, at the office of the security registrar or at the office of any transfer agent designated by us for this purpose. Unless otherwise provided in the debt securities that the holder presents for transfer or exchange, we will not require any payment for any registration of transfer or exchange, but we may require payment of any taxes or other governmental charges.

We will name in the applicable prospectus supplement the security registrar, and any transfer agent in addition to the security registrar, that we initially designate for any debt securities. We may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the notes of each series.

If we elect to redeem the debt securities of any series, we will not be required to:

reissue, register the transfer of, or exchange any notes of that series during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any debt securities that may be selected for redemption and ending at the close of business on the day of the mailing; or

register the transfer of or exchange any notes so selected for redemption, in whole or in part, except the unredeemed portion of any notes we are redeeming in part.

**Information Concerning the Trustee**

The trustee, other than during the occurrence and continuance of an event of default under an indenture, undertakes to perform only those duties as are specifically set forth in the applicable indenture. Upon an event of default under an indenture, the trustee must use the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the trustee is under no obligation to exercise any of the powers given to it by the indentures at the request of any holder of notes unless it is offered reasonable security and indemnity against the costs, expenses and liabilities that it might incur.

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### **Payment and Paying Agents**

Unless we otherwise indicate in the applicable prospectus supplement, we will make payment of the interest on any debt securities on any interest payment date to the person in whose name the debt securities, or one or more predecessor securities, are registered at the close of business on the regular record date for the interest payment.

We will pay principal of and any premium and interest on the notes of a particular series at the office of the paying agents designated by us, except that unless we otherwise indicate in the applicable prospectus supplement, we will make interest payments by check which we will mail to the holder. Unless we otherwise indicate in a prospectus supplement, we will designate the corporate trust office of the trustee in The City of New York as our sole paying agent for payments with respect to notes of each series. We will name in the applicable prospectus supplement any other paying agents that we initially designate for the notes of a particular series. We will maintain a paying agent in each place of payment for the notes of a particular series.

All money we pay to a paying agent or the trustee for the payment of the principal of or any premium or interest on any notes which remains unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to us, and the holder of the security thereafter may look only to us for payment thereof.

### **Governing Law**

The indentures and the notes will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the Trust Indenture Act is applicable.

### **Subordination of Subordinated Notes**

The subordinated debt securities will be unsecured and will be subordinate and junior in priority of payment to certain of our other indebtedness to the extent described in a prospectus supplement. The subordinated indenture does not limit the amount of subordinated debt securities that we may issue. It also does not limit us from issuing any other secured or unsecured debt.

## **DESCRIPTION OF WARRANTS**

The following description, together with the additional information we may include in any applicable prospectus supplements, summarizes the material terms and provisions of the warrants that we may offer under this prospectus and the related warrant agreements and warrant certificates. While the terms summarized below will apply generally to any warrants that we may offer, we will describe the particular terms of any series of warrants in more detail in the applicable prospectus supplement. If we indicate in the prospectus supplement, the terms of any warrants offered under that prospectus supplement may differ from the terms described below. Specific warrant agreements will contain additional important terms and provisions and will be incorporated by reference as an exhibit to the registration statement, of which this prospectus forms a part.

### **General**

We may issue warrants for the purchase of common stock, preferred stock or debt securities in one or more series. We may issue warrants independently or together with common stock, preferred stock and debt securities, and the warrants may be attached to or separate from these securities.

We will evidence each series of warrants by warrant certificates that we will issue under a separate agreement with a warrant agent. We will indicate the name and address and other information regarding the warrant agent in the applicable prospectus supplement relating to a particular series of warrants.



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### **Terms**

If we decide to issue warrants pursuant to this prospectus, we will specify in a prospectus supplement the terms of the series of warrants, including, if applicable, the following:

the offering price and aggregate number of warrants offered;

the currency for which the warrants may be purchased;

the designation and terms of the securities with which the warrants are issued and the number of warrants issued with each such security or each principal amount of such security;

the date on and after which the warrants and the related securities will be separately transferable;

in the case of warrants to purchase debt securities, the principal amount of debt securities purchasable upon exercise of one warrant and the price at, and currency in which, this principal amount of debt securities may be purchased upon such exercise;

in the case of warrants to purchase common stock, the number of shares of common stock purchasable upon exercise of one warrant and the price at which these shares may be purchased upon such exercise;

the effect of any merger, consolidation, sale or other disposition of our business on the warrant agreement and the warrants;

the terms of any rights to redeem or call the warrants;

any provisions for changes to or adjustments in the exercise price or number of securities issuable upon exercise of the warrants;

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

the manner in which the warrant agreement and warrants may be modified;

a discussion of any material U.S. federal income tax considerations of holding or exercising the warrants;

the terms of the securities issuable upon exercise of the warrants; and

any other specific terms, preferences, rights or limitations of or restrictions on the warrants.

Before exercising their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon such exercise, including:

the case of warrants to purchase debt securities, the right to receive payments of principal of, or premium, if any, or interest on, the debt securities purchasable upon exercise or to enforce covenants in the applicable indenture; or

in the case of warrants to purchase common stock or preferred stock, the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise voting rights, if any.

**Exercise of Warrants**

Each warrant will entitle the holder to purchase the securities that we specify in the applicable prospectus supplement at the exercise price that we describe in the applicable prospectus supplement. Unless we otherwise specify in the applicable prospectus supplement, holders of the warrants may exercise the warrants at any time up to 5:00 p.m. Eastern time on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Holders of the warrants may exercise the warrants by delivering the warrant certificate representing the warrants to be exercised together with specified information, and paying the required amount to the warrant agent in immediately available funds, as provided in the applicable prospectus supplement. We will set forth on the reverse side of the warrant certificate and in the applicable prospectus supplement the information that the holder of the warrant will be required to deliver to the warrant agent.

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Upon receipt of the required 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 prospectus supplement, we will issue and deliver the securities purchasable upon such exercise. If fewer than all of the warrants represented by the warrant certificate are exercised, then we will issue a new warrant certificate for the remaining amount of warrants. If we so indicate in the applicable prospectus supplement, holders of the warrants may surrender securities as all or part of the exercise price for warrants.

### **Enforceability of Rights by Holders of Warrants**

Each warrant agent will act solely as our agent under the applicable warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, its warrants.

## **DESCRIPTION OF RIGHTS**

The following description, together with the additional information we may include in any applicable prospectus supplements, summarizes the material terms and provisions of the rights that we may offer under this prospectus and the related rights agent or subscription agent agreements and rights certificates. While the terms summarized below will apply generally to any rights that we may offer, we will describe the particular terms of any series of rights in more detail in the applicable prospectus supplement. If we indicate in the prospectus supplement, the terms of any rights offered under that prospectus supplement may differ from the terms described below. Specific rights agent or subscription agent agreements will contain additional important terms and provisions and will be incorporated by reference as an exhibit to the registration statement, of which this prospectus forms a part.

### **General**

We may issue rights to purchase common stock, preferred stock, warrants or debt securities. The rights may or may not be transferable by the persons purchasing or receiving the rights. In connection with any rights issuance, we may enter into a standby underwriting or other arrangement with one or more underwriters or other persons pursuant to which such underwriters or other persons would purchase any offered securities remaining unsubscribed for after such rights issuance. Rights may be issued independently or together with any of our common stock, preferred stock, warrants and/or debt securities offered by a prospectus supplement, and may be attached to or separate from those offered securities. Each series of rights will be issued under a separate rights agent or subscription agent agreement to be entered into between us and a bank or trust company, as rights agent or subscription agent, as applicable, all as further set forth in the prospectus supplement relating to the particular issue of rights. The rights agent or subscription agent will act solely as our agent in connection with the rights and will not assume any obligation or relationship of agency or trust for or with any holders of rights certificates or beneficial owners of rights. A copy of the form of rights certificate representing a series of rights, will be filed with the SEC in connection with the offering of a particular series of rights.

### **Terms**

The prospectus supplement relating to a particular issue of rights to purchase our common stock, preferred stock and/or warrants will describe the terms of those rights, which may include, without limitation, one or more of the following:

the date of determining the security holders entitled to the rights distribution;

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the aggregate number of rights issued and the aggregate number of shares of common stock or preferred stock or warrants purchasable upon exercise of the rights;

the exercise price;

the conditions to completion of the rights offering;

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

a discussion of any material U.S. federal income tax considerations.

**Exercise of Rights**

Each right would entitle the holder of the right to purchase at the exercise price set forth in the applicable prospectus supplement the number of shares of common stock or preferred stock or warrants being offered. Holders may exercise rights at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised rights will be void. Holders may exercise rights as described in the prospectus supplement relating to the rights being issued. If less than all of the rights issued in any rights offering are exercised, we may offer any unsubscribed securities directly to persons other than our security holders, to or through agents, underwriters or dealers or through a combination of such methods, including pursuant to standby arrangements, as described in the applicable prospectus supplement.

Until a holder exercises the rights to purchase shares of our common stock or preferred stock or warrants, the holder will not have any rights as a holder of shares of our common stock or preferred stock or warrants, as the case may be, by virtue of ownership of the rights.

**DESCRIPTION OF STOCK PURCHASE CONTRACTS**

The following description, together with the additional information we may include in any applicable prospectus supplements, summarizes the material terms and provisions of the stock purchase contracts that we may offer under this prospectus. While the terms summarized below will apply generally to any stock purchase contracts that we may offer, we will describe the particular terms of any series of stock purchase contracts in more detail in the applicable prospectus supplement. If we indicate in the prospectus supplement, the terms of any stock purchase contracts offered under that prospectus supplement may differ froly:inherit;font-size:10pt;font-style:italic;">Interest Imputation of Interest, which states that the SEC staff will not object to an entity presenting debt issuance costs related to lines-of-credit arrangements as an asset. These new updates are effective for our financial statements in 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 new guidance will be applied on a retrospective basis. The adoption of these updates is not expected to have a material impact on our consolidated financial statements.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The core principle of the guidance is that an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. When management identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern, management should consider whether its plans that are intended to mitigate those relevant conditions or events that will alleviate the substantial doubt are adequately disclosed in the footnotes to the financial statements. The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which provides guidance for revenue recognition. The update's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. Examples of the use of judgments and estimates may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The update also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The update provides for two transition methods to the new guidance: a retrospective approach and a modified retrospective approach. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers: Deferral of the Effective Date, as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted but not prior to periods beginning after December 15, 2016 (i.e. the original adoption date per ASU 2014-09). We are currently in the process of evaluating the transition methods and the impact of adoption of this ASU on our consolidated financial statements.

We do not believe that any other recently issued, but not yet effective, accounting pronouncements, if adopted, would have a material impact on our consolidated financial statements or disclosures.

Other, net: The following represents the components of "Other, net" as reflected in the Condensed Consolidated Statements of Comprehensive (Loss) Income:

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
	As Adjusted (see Note 2)		As Adjusted (see Note 2)	
Other, net:				
Foreign exchange	\$ (4.5)	) \$ (2.3)	) \$ (10.5)	) \$ (4.7)
Foreign exchange devaluations	—	—	(0.7)	) (8.0)
Cash surrender value of life insurance policies	(0.5)	) (0.3)	) (0.5)	) 0.5
Other	(0.5)	) 0.6	(1.3)	) (1.4)
Total other, net	\$ (5.5)	) \$ (2.0)	) \$ (13.0)	) \$ (13.6)

In the first quarter of 2014, the Venezuelan government changed its policy regarding the bolivar, which required us to use the Complementary System for the Administration of Foreign Currency ("SICAD") rate of 49.0 bolivars to one U.S. Dollar ("USD") to repatriate cash from Venezuela. In the first quarter of 2014, the Argentine peso was also devalued from 6.5 pesos to one USD to approximately 8.0 pesos to one USD after the central bank scaled back its intervention in a bid to preserve USD cash reserves. As a result of these devaluations, we recorded foreign exchange losses in these two countries of \$8.0 million in the first quarter of 2014.

In the first quarter of 2015, the Venezuelan government changed its policy regarding the bolivar, which we believe will now require us to use the Sistema Marginal de Divisas or Marginal Exchange System ("SIMADI") a "completely free floating" rate. As a result, we believe that the current rate of approximately 200.0 bolivars to one USD will be the rate available to us in the event we repatriate cash from Venezuela. As a result of the devaluation in the first quarter of 2015, we recorded a foreign exchange loss of \$0.7 million in the first quarter of 2015.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Several of our subsidiaries conduct business in a currency other than the legal entity's functional currency. Transactions may produce receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. A change in exchange rates between the functional currency and the currency in which a transaction is denominated increases or decreases the expected amount of functional currency cash flows upon settlement of the transaction. The increase or decrease in expected functional currency cash flows is a foreign currency transaction gain or loss that is included in "Other, net" in the Condensed Consolidated Statements of Comprehensive (Loss) Income.

We purchase foreign currency forward contracts to minimize the effect of fluctuating foreign currency-denominated accounts on our reported income. The foreign currency forward contracts are not designated as hedges for accounting purposes. Our strategy is to negotiate terms for our derivatives and other financial instruments to be highly effective, such that the change in the value of the derivative perfectly offsets the impact of the underlying hedged item (e.g., various foreign currency-denominated accounts). Our counterparties to foreign currency forward contracts have investment-grade credit ratings. We expect the creditworthiness of our counterparties to remain intact through the term of the transactions. We regularly monitor the creditworthiness of our counterparties to ensure no issues exist which could affect the value of the derivatives. While our derivatives are all subject to master netting arrangements, we present our assets and liabilities related to derivative instruments on a gross basis within the Condensed Consolidated Balance Sheets. The gross amount of our derivative assets and liabilities are immaterial.

We do not hedge 100% of our foreign currency-denominated accounts. In addition, the results of hedging can vary significantly based on various factors, such as the timing of executing the foreign currency forward contracts versus the movement of the currencies as well as the fluctuations in the account balances throughout each reporting period. The fair value of the foreign currency forward contracts is based on the difference between the contract rate and the current exchange rate. The fair value of the foreign currency forward contracts is measured using observable market information. These inputs would be considered Level 2 in the fair value hierarchy. At October 2, 2015 and January 2, 2015, foreign currency forward contracts were revalued at then-current foreign exchange rates with the changes in valuation reflected directly in "Other, net" in the Condensed Consolidated Statements of Comprehensive (Loss) Income offsetting the transaction gain/loss recorded on the foreign currency-denominated accounts. At October 2, 2015 and January 2, 2015, the gross notional amount of foreign currency forward contracts outstanding was approximately \$237.1 million and \$222.9 million, respectively. All of our foreign currency forward contracts are subject to master netting arrangements with our counterparties. As a result, at October 2, 2015 and January 2, 2015, the net notional amount of the foreign currency forward contracts outstanding was approximately \$148.3 million and \$121.9 million, respectively.

The combined effect of changes in both the equity and bond markets resulted in changes in the cash surrender value of our owned life insurance policies associated with our sponsored deferred compensation program.

Accumulated other comprehensive income (loss): We accumulated unrealized gains and losses in "Accumulated other comprehensive income (loss)" ("AOCI") which are also reported in "Other comprehensive loss" on the Condensed Consolidated Statements of Comprehensive (Loss) Income. These include unrealized gains and losses related to our defined benefit obligations, certain immaterial derivative transactions that have been designated as cash flow hedges and foreign currency translation. See Note 7. "Pension Plans" for pension related amounts reclassified into net income.

Our investments in several subsidiaries are recorded in currencies other than the USD. As these foreign currency denominated investments are translated at the end of each period during consolidation using period-end exchange rates, fluctuations of exchange rates between the foreign currency and the USD increase or decrease the value of those investments. These fluctuations and the results of operations for foreign subsidiaries, where the functional currency is not the USD, are translated into USD using the average exchange rates during the periods reported, while the assets and liabilities are translated using period-end exchange rates. The assets and liabilities-related translation adjustments are recorded as a separate component of AOCI, "Foreign currency translation." In addition, as our subsidiaries maintain investments denominated in currencies other than local currencies, exchange rate fluctuations will occur.

Borrowings are raised in certain foreign currencies to minimize the exchange rate translation adjustment risk.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 2. DISCONTINUED OPERATIONS

On February 9, 2015, our Board of Directors approved the disposition of the OEM Supply - Fasteners ("Fasteners") business. On February 11, 2015, through our wholly-owned subsidiary Anixter Inc., we entered into a definitive asset purchase agreement with American Industrial Partners ("AIP") to sell the Fasteners business for \$380.0 million in cash, subject to certain post-closing adjustments. On June 1, 2015, we closed the sale of the Fasteners business to AIP, excluding certain foreign locations, resulting in initial cash proceeds of \$358.0 million. In accordance with the asset purchase agreement, the sale of the Fastener businesses in several countries is anticipated to be completed by the end of the first quarter of 2016. Therefore, these assets and liabilities are classified as "Discontinued Operations." The components of the results from discontinued operations reflected in our Condensed Consolidated Statements of Cash Flows were immaterial. In the third quarter of 2015, in accordance with the terms of the agreement, AIP paid \$10.0 million of the purchase price upon its acceptance of a stand-alone data center established by the parties. Also, in the third quarter of 2015, based on the preliminary calculation of the post-closing adjustment to the purchase price under the agreement, we reduced the receivable due from AIP by \$1.0 million and recorded a reduction to the gain on the sale. We received a \$13.0 million cash payment from AIP in prepayment of the post-closing adjustment during the third quarter of 2015, leaving a \$0.9 million receivable due from AIP outstanding as of October 2, 2015. Including transaction related costs of \$17.2 million, the sale resulted in a pre-tax gain of \$39.7 million (\$29.9 million, net of tax). This transaction gives us a sharper strategic focus on our core Enterprise Cabling and Security Solutions ("ECS") and Electrical and Electronic Wire and Cable ("W&C") segments and provides additional financial flexibility to build on these strong global platforms through organic investments or strategic acquisitions.

The assets and liabilities and operating results of the Fasteners business for the nine months ended October 2, 2015 are presented as "Discontinued Operations" in our Condensed Consolidated Financial Statements. Accordingly, all prior periods have been revised to reflect this classification.

We allocated interest costs to discontinued operations as a result of the sale of the Fasteners business. The allocated interest costs were \$1.0 million in the third quarter of 2014, and \$1.1 million and \$3.1 million for the nine months ended October 2, 2015 and October 3, 2014, respectively. This represents the amount of interest costs not directly attributable to our other operations that would not have been incurred if we had the proceeds from the sale of the Fasteners business at the beginning of the respective periods.

In connection with the disposition of the Fasteners business, we recognized a pension curtailment gain of \$5.1 million for the nine months ended October 2, 2015.

The following represents the components of the results from discontinued operations as reflected in our Condensed Consolidated Statements of Comprehensive (Loss) Income:

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Net sales	\$7.6	\$228.6	\$405.4	\$721.2
Operating (loss) income	\$(1.6)	) \$11.6	\$15.5	\$42.4
(Loss) income from discontinued operations before income taxes	\$(0.5)	) \$10.2	\$14.9	\$37.6
(Loss) gain on sale of discontinued operations	\$(2.6)	) \$—	\$39.7	\$—
Income tax (benefit) expense from discontinued operations	\$(0.2)	) \$3.1	\$23.0	\$11.5
Net (loss) income from discontinued operations	\$(2.9)	) \$7.1	\$31.6	\$26.1



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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As reflected on our Condensed Consolidated Balance Sheets as of October 2, 2015 and January 2, 2015, the components of assets and liabilities of the Fasteners businesses classified as "Discontinued Operations" are as follows:

(In millions)	October 2, 2015	January 2, 2015
Assets of discontinued operations:		
Accounts receivable	\$34.5	\$158.2
Inventories	0.9	213.8
Net property and equipment	—	16.8
Other assets	6.8	18.1
Total assets of discontinued operations	\$42.2	\$406.9
Liabilities of discontinued operations:		
Accounts payable	\$21.0	\$92.8
Accrued expenses	5.1	16.0
Other liabilities	4.6	0.2
Total liabilities of discontinued operations	\$30.7	\$109.0

## NOTE 3. BUSINESS COMBINATION

On September 17, 2014, we acquired 100% of the outstanding capital stock of Tri-Northern Acquisition Holdings, Inc. ("Tri-Ed"), a leading independent distributor of security and low-voltage technology products, from Tri-NVS Holdings, LLC for \$418.5 million (net of cash acquired of \$11.6 million and a favorable net working capital adjustment of \$2.3 million). The acquisition was financed using borrowings under the 5-year senior unsecured revolving credit agreement, the accounts receivable securitization facility, available cash and the \$200.0 million term loan. A portion of the proceeds from a subsequent issuance of \$400.0 million principal amount of senior notes was used to repay certain incurred borrowings to finance the Tri-Ed acquisition.

The acquisition of Tri-Ed presents a strategic opportunity for us and our security business, consistent with our vision to create a leading global security platform and to accelerate profitable revenue growth. Through expanding our offering into highly complementary product lines, we believe our customers will benefit from a broader set of products and solutions in the areas of video, access control, fire/life safety, and intrusion detection. In addition, this transaction provides access to the residential construction end market at an attractive point in the recovery cycle as well as security integrators and dealers we do not currently service.

The following table sets forth the purchase price allocation, as of the acquisition date, for Tri-Ed. The purchase price allocation and valuation of the acquired intangible assets and related deferred tax liabilities was completed in the third quarter of 2015.

(In millions)	
Cash	\$11.6
Current assets, net	203.9
Property and equipment	2.7
Goodwill	242.2
Intangible assets	166.8
Current liabilities	(143.3 )
Non-current liabilities	(56.1 )
Total purchase price	\$427.8

All Tri-Ed goodwill, other assets and liabilities were recorded in the ECS reportable segment. The goodwill resulting from the acquisition largely consists of our expected future product sales and synergies from combining Tri-Ed's products with our existing product offerings. Other than \$12.2 million, the remaining goodwill is not deductible for

tax purposes. The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of the acquisition:

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In millions)	Average useful life (in years)	Fair value
Customer relationships	11-18	\$120.6
Exclusive supplier agreement	21	23.2
Trade names	Indefinite	10.6
Tri-Ed trade names	4	9.2
Non-compete agreements	4-5	3.2
Total intangible assets		\$166.8

The following unaudited pro forma information shows our results of operations as if the acquisition of Tri-Ed had been completed as of the beginning of fiscal 2014. Adjustments have been made for the pro forma effects of interest expense and deferred financing costs related to the financing of the business combination, depreciation and amortization of tangible and intangible assets recognized as part of the business combination, related income taxes and various other costs which would not have been incurred had we and Tri-Ed operated as a combined entity (i.e., management fees paid by Tri-Ed to its former owners).

(In millions, except per share amounts)	Three Months Ended October 3, 2014	Nine Months Ended October 3, 2014
Net sales	\$1,566.9	\$4,474.9
Net income from continuing operations	\$50.7	\$134.4
Income per share from continuing operations:		
Basic	\$1.53	\$4.07
Diluted	\$1.52	\$4.03

Since the date of acquisition, the Tri-Ed results are reflected in our Condensed Consolidated Financial Statements. For the nine months ended October 2, 2015, Tri-Ed added approximately \$462 million of revenue and \$18 million in operating income, to our consolidated results.

**NOTE 4. RESTRUCTURING AND OTHER CHARGES**

We consider restructuring activities to be programs whereby we fundamentally change our operations, such as closing and consolidating facilities, reducing headcount and realigning operations in response to changing market conditions. In the second quarter of 2015, we recorded a pre-tax charge of \$3.1 million and \$2.2 million in our ECS and W&C segments, respectively, for severance-related expenses associated with a reduction of approximately 100 positions. The \$5.3 million charge reflects actions we are taking to improve efficiencies and eliminate the stranded costs in conjunction with the sale of the Fasteners business. This charge is included in "Operating expenses" in our Condensed Consolidated Statements of Comprehensive (Loss) Income for the nine months ended October 2, 2015. The majority of the remaining accrual related to this charge of \$2.9 million as of October 2, 2015 is expected to be paid by the second quarter of 2016.

The second quarter of 2015 includes a write off of capitalized software of \$3.1 million that has no ongoing economic benefit to continuing operations, \$2.6 million of bad debt expense related to a customer in Venezuela, a \$1.7 million dilapidation provision related to our leasehold properties, \$1.0 million of acquisition and integration costs and \$0.4 million related to pension divestiture costs.

Acquisition and integration costs were \$8.1 million in the third quarter of 2015 and \$9.1 million for the nine months ended October 2, 2015.

**NOTE 5. INCOME TAXES**

Our effective tax rate from continuing operations for the third quarter of 2015 was 37.8% compared to 35.4% in the prior year period. The prior year period included a net tax benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes. Other differences in the comparable tax rate relate to our worldwide country mix of income.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our effective tax rate from continuing operations for the nine months ended October 2, 2015 was 37.5% compared to 31.7% in the prior year period. The prior year period included a net tax benefit of \$6.9 million primarily related to the reversal of deferred income tax valuation allowances in Europe and a net benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes. Other differences in the comparable tax rate relate to our worldwide country mix of income. Our nine months ended October 2, 2015 effective tax rate differs from the U.S. federal statutory rate primarily as a result of U.S. state taxes and our worldwide country mix of income.

As of January 2, 2015, we asserted permanent reinvestment of all non-U.S. earnings, including the non-U.S. earnings of the Fasteners business. As a result of the disposition of the Fasteners business, we are no longer permanently reinvested with respect to the non-U.S. earnings of the Fasteners business, because we repatriated to the U.S. most of the net proceeds attributable to the sale of the non-U.S. Fasteners business via intercompany debt repayment, dividend or other means. During the second quarter of 2015, we refined the anticipated repatriation amount and the estimated tax impact of the change in the reinvestment assertion, and we reduced the first quarter estimate by \$4.9 million. Therefore, our nine months ended October 2, 2015 results include, as a component of discontinued operations, \$10.3 million expense for U.S. federal and state, and foreign income taxes and withholding taxes related to this change in our reinvestment assertion.

## NOTE 6. DEBT

Debt is summarized below:

(In millions)	October 2, 2015	January 2, 2015
Long-term debt:		
Senior notes due 2021	\$394.7	\$394.2
Senior notes due 2019	346.6	345.9
Senior notes due 2023	345.7	—
Term loan	195.0	198.8
Accounts receivable securitization facility	—	65.0
Revolving lines of credit	—	—
Senior notes due 2015	—	200.0
Other	3.4	3.8
Total long-term debt	\$1,285.4	\$1,207.7

At October 2, 2015, our total carrying value and estimated fair value of debt outstanding was \$1,285.4 million and \$1,311.6 million, respectively. This compares to a carrying value and estimated fair value at January 2, 2015 of \$1,207.7 million and \$1,243.8 million, respectively. The estimated fair value of our debt instruments is measured using observable market information which would be considered Level 2 inputs as described in the fair value accounting guidance on fair value measurements. Our weighted-average cost of borrowings was 5.3% and 4.7% for the three months ended October 2, 2015 and October 3, 2014, respectively, and 4.9% and 4.7% for the nine months ended October 2, 2015 and October 3, 2014, respectively.

## Senior Notes Due 2023

On August 18, 2015, our primary operating subsidiary, Anixter Inc., completed the issuance of \$350.0 million principal amount of Senior notes due 2023 ("Notes due 2023"). The Notes due 2023 were issued at a price that was 98.75% of par, which resulted in a discount related to underwriting fees of \$4.4 million. The discount is reported on the Consolidated Balance Sheet as a reduction to the face amount of the Notes due 2023 and is being amortized to interest expense over the term of the related debt, using the effective interest method. In addition, \$1.7 million of issuance costs were paid, which are being amortized through maturity using the straight-line method. The Notes due 2023 pay interest semi-annually at a rate of 5.50% per annum and will mature on March 1, 2023. In addition, Anixter Inc. may at any time redeem some or all of the Notes due 2023 at a price equal to 100% of the principal amount plus a

"make whole" premium. If we experience certain kinds of changes of control, Anixter Inc. must offer to repurchase all of the Notes due 2023 outstanding at 101% of the aggregate principal amount repurchased, plus accrued and unpaid interest. The proceeds were used to partially finance the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc., as described in Note 12. "Subsequent Events". We fully and unconditionally guarantee the Notes due 2023, which are unsecured obligations of Anixter Inc.



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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Retirement of Debt

In the first quarter of 2015, we retired our 5.95% Senior notes due 2015 upon maturity for \$200.0 million. Available borrowings under existing long-term financing agreements were used to settle the maturity value.

In the first quarter of 2014, we retired our 10% Senior notes due 2014 upon maturity for \$32.3 million. Available borrowings under existing long-term financing agreements were used to settle the maturity value.

Subsequent to October 2, 2015, we retired the \$300.0 million accounts receivable securitization facility and \$400.0 million (or the equivalent in Euro) 5-year senior unsecured revolving credit agreement and repaid the \$200.0 million term loan. See Note 12. "Subsequent Events" for further information.

Accounts Receivable Securitization Program

Under our accounts receivable securitization program, we sold, on an ongoing basis without recourse, a portion of our accounts receivables originating in the United States to Anixter Receivables Corporation ("ARC"), which is considered a wholly-owned, bankruptcy-remote variable interest entity ("VIE"). We had the authority to direct the activities of the VIE and, as a result, we concluded that we maintained control of the VIE, were the primary beneficiary (as defined by accounting guidance) and, therefore, consolidated the account balances of ARC. As of October 2, 2015 and January 2, 2015, \$475.8 million and \$548.5 million of our receivables were sold to ARC, respectively. ARC in turn assigned a collateral interest in these receivables to a financial institution for proceeds up to \$300 million. The assets of ARC were not available to us until all obligations of ARC were satisfied in the event of bankruptcy or insolvency proceedings. This facility was retired subsequent to October 2, 2015, as described in Note 12. "Subsequent Events".

NOTE 7. PENSION PLANS

We have various defined benefit and defined contribution pension plans. Our defined benefit pension plans are the plans in the United States, which consist of the Anixter Inc. Pension Plan, the Executive Benefit Plan and the Supplemental Executive Retirement Plan ("SERP") (together the "Domestic Plans") and various defined benefit pension plans covering employees of foreign subsidiaries in Canada and Europe (together the "Foreign Plans"). The majority of our defined benefit pension plans are non-contributory and cover substantially all full-time domestic employees and certain employees in other countries. Retirement benefits are provided based on compensation as defined in both the Domestic Plans and the Foreign Plans. Our policy is to fund all Domestic Plans as required by the Employee Retirement Income Security Act of 1974 ("ERISA") and the Internal Revenue Service ("IRS") and all Foreign Plans as required by applicable foreign laws. The Executive Benefit Plan and SERP are the only two plans that are unfunded. Assets in the various plans consist primarily of equity securities and fixed income investments. In the third quarter of 2015, Anixter Inc. amended the Anixter Inc. Pension Plan in the United States whereby employees first hired or rehired on or after July 1, 2015 are no longer eligible to participate in the Anixter Inc. Pension Plan. Anixter Inc. will make an annual contribution to the Employee Savings Plan on behalf of each active participant who is first hired or rehired on or after July 1, 2015, or is not participating in the Anixter Inc. Pension Plan. The amount of the employer annual contribution to each active participant's account will be an amount determined by multiplying the participant's salary for the Plan year by either: (1) 2% if such participant's years of service as of August 1 of the Plan year is fewer than five, or (2) 2.5% if such participant's years of service as of August 1 of the Plan year is five or greater. This contribution is in lieu of being eligible for the Anixter Inc. Pension Plan.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Components of net periodic pension cost (benefit) are as follows:

(In millions)	Three Months Ended					
	Domestic		Foreign		Total	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Service cost	\$1.1	\$1.2	\$1.7	\$1.4	\$2.8	\$2.6
Interest cost	2.4	2.8	2.3	2.7	4.7	5.5
Expected return on plan assets	(3.1	) (3.5	) (2.6	) (3.1	) (5.7	) (6.6
Net amortization <sup>(a)</sup>	0.2	(0.6	) 0.7	0.3	0.9	(0.3
Net periodic cost (benefit)	\$0.6	\$(0.1	) \$2.1	\$1.3	\$2.7	\$1.2

(In millions)	Nine Months Ended					
	Domestic		Foreign		Total	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Service cost	\$4.1	\$3.6	\$5.0	\$4.4	\$9.1	\$8.0
Interest cost	9.1	8.1	6.9	8.1	16.0	16.2
Expected return on plan assets	(11.9	) (10.4	) (7.9	) (9.5	) (19.8	) (19.9
Net amortization <sup>(a)</sup>	1.1	(1.7	) 2.2	0.9	3.3	(0.8
Net periodic cost (benefit)	\$2.4	\$(0.4	) \$6.2	\$3.9	\$8.6	\$3.5

(a) Reclassified into operating expenses from AOCI.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 8. SUMMARIZED FINANCIAL INFORMATION OF ANIXTER INC.

We guarantee, fully and unconditionally, substantially all of the debt of our subsidiaries, which include Anixter Inc., our primary operating subsidiary. We have no independent assets or operations and all subsidiaries other than consolidated Anixter Inc. are minor. The following summarizes the financial information for Anixter Inc.:

ANIXTER INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)	October 2, 2015	January 2, 2015 As Adjusted (see Note 2)
Assets:		
Current assets	\$2,767.7	\$2,210.2
Current assets of discontinued operations	41.6	379.2
Property, equipment and capital leases, net	116.6	114.7
Goodwill	572.4	582.3
Other assets	257.7	282.5
Long-term assets of discontinued operations	0.6	27.7
	\$3,756.6	\$3,596.6
Liabilities and Stockholder's Equity:		
Current liabilities	\$1,047.2	\$921.3
Current liabilities of discontinued operations	26.2	108.8
Subordinated notes payable to parent	—	1.5
Long-term debt	1,298.5	1,221.8
Other liabilities	186.4	212.2
Long-term liabilities of discontinued operations	4.5	0.2
Stockholder's equity	1,193.8	1,130.8
	\$3,756.6	\$3,596.6

ANIXTER INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014 As Adjusted (see Note 2)	October 2, 2015	October 3, 2014 As Adjusted (see Note 2)
Net sales	\$1,489.2	\$1,438.0	\$4,354.7	\$4,055.2
Operating income	\$79.7	\$83.9	\$206.4	\$233.9
Income from continuing operations before income taxes	\$58.2	\$71.4	\$149.9	\$190.1
Net (loss) income from discontinued operations	\$(2.9)	\$7.1	\$31.6	\$26.1
Net income	\$33.1	\$53.2	\$125.3	\$155.9
Comprehensive (loss) income	\$(1.4)	\$17.9	\$57.2	\$128.8

## NOTE 9. STOCKHOLDERS' EQUITY

At the end of the third quarter of 2015, there were 1.7 million shares reserved for issuance under all incentive plans. Under the current stock incentive plans, we pay non-employee directors annual retainer fees and, at their election, meeting fees in the form of stock units. Employee and director stock units are included in common stock outstanding

on the date of vesting, and stock options are included in common stock outstanding upon exercise by the participant. The fair value of employee stock options and

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

units is amortized over the respective vesting period representing the requisite service period, generally three to four years for stock units and four years for stock options. Director stock units are expensed in the period in which they are granted, as these vest immediately.

We did not grant any stock units to employees during the three months ended October 2, 2015. During the nine months ended October 2, 2015, we granted 181,665 stock units to employees, with a weighted-average grant-date fair value of \$14.3 million. During the three and nine months ended October 2, 2015, we granted directors 9,585 and 23,642 stock units, respectively, with a weighted-average grant-date fair value of \$0.5 million and \$1.5 million, respectively. We exclude antidilutive stock options and units from the calculation of weighted-average shares for diluted earnings per share. For the third quarter of 2015 and 2014, the antidilutive stock options and units were immaterial.

## NOTE 10. LEGAL CONTINGENCIES

From time to time, we are party to legal proceedings and matters that arise in the ordinary course of business. As of October 2, 2015, we do not believe there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, our financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

## NOTE 11. BUSINESS SEGMENTS

We are a leading distributor of enterprise cabling and security solutions and electrical and electronic wire and cable products. We have identified Enterprise Cabling and Security Solutions ("ECS") and Electrical and Electronic Wire and Cable ("W&C") as reportable segments. As discussed in Note 2. "Discontinued Operations", beginning in the second quarter of 2015, the Fasteners segment has been classified as "Discontinued Operations" for all periods. We incur corporate expenses to obtain and coordinate financing, tax, information technology, legal and other related services, certain of which are billed to subsidiaries. These corporate expenses are allocated to the segments based primarily on projected sales and estimated use of time. A portion of these corporate expenses are reported in the corporate segment as they historically had been allocated to the Fasteners segment but are not considered directly related to the discontinued operations. For the three and nine months ended October 2, 2015, Corporate includes \$9.1 million of acquisition and integration costs. Also, we have various corporate assets which are not allocated to the segments. Segment assets may not include jointly used assets or unallocated assets, but segment results include depreciation expense or other allocations related to those assets as such allocation is made for internal reporting. Interest expense and other non-operating items are not allocated to the segments or reviewed on a segment basis. Intercompany transactions are not significant.

## Segment Financial Information

Segment information for the three and nine months ended October 2, 2015 and October 3, 2014 are as follows:

(In millions)

	ECS	W&C	Corporate	Total
Third Quarter of 2015				
Net sales	\$1,035.4	\$453.8	\$—	\$1,489.2
Operating income	\$61.8	\$28.6	\$(12.2)	\$78.2
Third Quarter of 2014 (As Adjusted, see Note 2)				
Net sales	\$903.9	\$534.1	\$—	\$1,438.0
Operating income	\$46.7	\$38.7	\$(2.9)	\$82.5
Nine Months of 2015				
Net sales	\$2,952.8	\$1,401.9	\$—	\$4,354.7
Operating income	\$140.3	\$79.8	\$(18.1)	\$202.0

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Nine Months of 2014 (As Adjusted, see Note 2)	ECS	W&C	Corporate	Total
Net sales	\$2,514.7	\$1,540.5	\$—	\$4,055.2
Operating income	\$129.8	\$108.7	\$(8.8 )	\$229.7

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## Goodwill Assigned to Segments

The following table presents the changes in goodwill allocated to our reportable segments during the nine months ended October 2, 2015:

(In millions)	ECS	W&C	Total
Balance at January 2, 2015	\$403.4	\$178.9	\$582.3
Acquisition related (a)	(1.3	) —	(1.3
Foreign currency translation	(7.2	) (1.4	) (8.6
Balance at October 2, 2015	\$394.9	\$177.5	\$572.4

(a) In the second and third quarters of 2015, we recorded immaterial increases in goodwill related to the purchase price allocation for the acquisition of Tri-Ed.

## NOTE 12. SUBSEQUENT EVENTS

## Business Combination

On October 5, 2015, we, through our wholly-owned subsidiaries, Anixter Inc. and Anixter Canada Inc., completed the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc. pursuant to the terms and conditions set forth in the Purchase Agreement dated July 15, 2015, in which we agreed to acquire the equity interest of certain subsidiaries of HD Supply, Inc. and certain assets that comprise the HD Supply Power Solutions Business ("Power Solutions") in exchange for \$836.4 million (net of cash and outstanding checks of \$12.8 million and a preliminary unfavorable net working capital adjustment of \$24.2 million) (the "Acquisition"). The Acquisition was financed using borrowings under the Notes due 2023, the new financing arrangements described below and cash on hand.

## New Financing

On October 5, 2015, we, through our wholly-owned subsidiaries, Anixter Inc., ARC and Anixter Canada Inc., entered into certain financing transactions in connection with the consummation of the Acquisition, including a U.S. accounts receivable asset based five-year revolving credit facility in an aggregate committed amount of \$600.0 million ("New Receivables Facility"), a U.S. inventory asset based five-year revolving credit facility in an aggregate committed amount of \$150.0 million ("Inventory Facility") for a U.S. combined commitment of \$750.0 million ("Combined Commitment"). Additionally, we entered into a Canadian term loan facility in Canada in an aggregate principal amount of \$300.0 million Canadian Dollars, the equivalent to approximately \$225.0 million, with a five year maturity ("Canadian Term Loan"). In connection with these financing transactions, we expect to incur approximately \$5.6 million in financing transaction costs, of which approximately \$4.4 million is expected to be capitalized as debt issuance costs and amortized through maturity using the straight-line method, and approximately \$1.2 million is expected to be expensed as incurred. These financing arrangements are described in greater detail below.

## New Receivables Facility

On October 5, 2015, we, through our wholly-owned subsidiary, ARC, entered into a New Receivables Facility, which is a receivables based five-year revolving credit facility in an aggregate committed amount of \$600.0 million. Borrowings under the New Receivables Facility are secured by a first lien on all assets of ARC and supported by an unsecured guarantee by the Company.

The New Receivables Facility has a borrowing base of 85% of eligible receivables, subject to certain reserves.

In connection with the entry into the New Receivables Facility, Anixter Inc. and ARC terminated its existing Second Amended and Restated Receivables Purchase Agreement (the "RPA").

In connection with the entry into the New Receivables Facility, on October 5, 2015, Anixter Inc. and ARC entered into a Third Amended and Restated Receivables Sale Agreement (the "Amended and Restated RSA"), which amended and restated the existing Second Amended and Restated Sales Agreement. The purpose of the Amended and Restated RSA is (i) to reflect the entry into the New Receivables Facility and the termination of the RPA, and (ii) to include in the receivables sold by Anixter Inc. to ARC receivables originated by Tri-Northern Holdings, Inc. and its subsidiaries (collectively, the "Tri-Ed Subsidiaries") and subsidiaries acquired in the Acquisition (the "Power Solutions Subsidiaries").



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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The foregoing descriptions of the New Receivables Facility and the Amended and Restated RSA do not purport to be complete and are qualified in their entirety by reference to the New Receivables Facility and the Amended and Restated RSA.

Inventory Facility

On October 5, 2015, we and certain of our wholly-owned subsidiaries, including the Tri-Ed Subsidiaries and Power Solutions Subsidiaries, entered into the Inventory Facility, an asset based lending five-year revolving credit facility, in an aggregate committed amount of \$150.0 million. Borrowings under the Inventory Facility are secured by a first lien on Anixter Inc.'s and certain of its subsidiaries' personal property and supported by a guarantee by the Company.

The Inventory Facility has a borrowing base, (a) with respect to appraised eligible domestic inventory, of the lesser of (i) 85% of the net orderly liquidation value of such inventory and (ii) 75% of book value of such inventory, plus, (b) with respect to eligible domestic inventory not appraised, 40% of the net orderly liquidation value of such inventory, less (c) certain reserves.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the Inventory Facility.

The New Receivables Facility and the Inventory Facility (collectively, the "Combined Facilities")

The Combined Facilities drawn pricing will range from LIBOR plus 125 basis points when the combined unused availability (the "Combined Availability") under the Combined Facilities is greater than \$500 million to LIBOR plus 175 basis points when Combined Availability is less than \$250 million. Undrawn fees will be 25 basis points if greater than/equal to 50% of the Combined Commitment is drawn and 37.5 basis points if less than 50% of the Combined Commitment is drawn.

Acquisitions and restricted payments will be permitted, subject to, among other things, (i) Combined Availability of at least \$150.0 million after giving pro forma effect to any acquisition or restricted payment or (ii) (a) Combined Availability of at least \$112.5 million and (b) maintenance of a minimum fixed charge coverage ratio of at least 1.1x, after giving pro forma effect to the acquisition or restricted payment.

The Combined Facilities provides for customary representations and warranties and customary events of default, generally with corresponding grace periods, including, without limitation, payment defaults with respect to the facility, covenant defaults, cross-defaults to other agreements evidencing material indebtedness, certain judgments and events of bankruptcy.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the New Receivables Facility and Inventory Facility.

Canadian Term Loan

On October 5, 2015, we, through our wholly-owned subsidiaries, Anixter Canada Inc. and Tri-Ed ULC, entered into a \$300.0 million Canadian Dollars (equivalent to approximately \$225.0 million) Canadian Term Loan. The Canadian Term Loan is and will be guaranteed by all present and future material Canadian subsidiaries of Anixter Canada Inc. and Tri-Ed ULC as well as Anixter Mid Holdings BV. The Canadian Term Loan is secured by a first priority security interest in all of the assets of Anixter Canada Inc. and each of its Canadian subsidiaries (the "Borrowing Group").

The Canadian Term Loan will have a five year maturity. The drawn pricing will range from 0.375% to 1.250% over prime and 1.375% to 2.250% over the banker's acceptance rate, depending on consolidated leverage ranging from less than or equal to 1.25x to equal to or greater than 3.00x. The Canadian Term Loan amortizes 5% in each of years 1 and 2, 10% in each of years 3 and 4 and 70% in year 5.

The Borrowing Group initially will be subject to a maximum leverage ratio of 4.25x and a minimum fixed charge coverage ratio of 3.0x.

The Canadian Term Loan provides for customary representations and warranties and customary events of default, generally with corresponding grace periods, including, without limitation, payment defaults with respect to the facility, covenant defaults, cross-defaults to other agreements evidencing material indebtedness, certain judgments and events of bankruptcy.

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ANIXTER INTERNATIONAL INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Retirement of Debt

In connection with the new financing arrangements described above, on October 5, 2015, we terminated our \$300.0 million accounts receivable securitization facility and \$400.0 million (or the equivalent in Euro) 5-year senior unsecured revolving credit agreement and repaid our borrowings under the \$200.0 million term loan. In connection with the termination of these facilities and repayment of the \$200.0 million term loan, we expect to incur a \$0.9 million loss on the extinguishment of debt in the fourth quarter of 2015, representing a write-off of a portion of unamortized debt issuance costs. The remaining unamortized debt issuance costs will be amortized through maturity of the new financing arrangements using the straight-line method.

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ANIXTER INTERNATIONAL INC.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following is a discussion of our financial condition and results of operations for the three and nine months ended October 2, 2015 as compared to the corresponding periods in the prior year. This discussion should be read in conjunction with the Condensed Consolidated Financial Statements, including the related notes, set forth in this report under "Condensed Consolidated Financial Statements" and our Annual Report on Form 10-K for the year ended January 2, 2015.

The assets and liabilities and operating results of the Fasteners business for the three and nine months ended October 2, 2015 are presented as "Discontinued Operations" in our Condensed Consolidated Financial Statements.

Accordingly, all prior periods have been revised to reflect this classification.

## Third Quarter and Year-to-Date 2015 and 2014 Consolidated Results of Operations

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
		As Adjusted		As Adjusted
Net sales	\$1,489.2	\$1,438.0	\$4,354.7	\$4,055.2
Gross profit	330.9	322.7	969.1	917.8
Operating expenses	252.7	240.2	767.1	688.1
Operating income	78.2	82.5	202.0	229.7
Other expense:				
Interest expense	(15.8	) (10.3	) (42.7	) (29.4
Other, net	(5.5	) (2.0	) (13.0	) (13.6
Income from continuing operations before income taxes	56.9	70.2	146.3	186.7
Income tax expense from continuing operations	21.5	24.8	54.9	59.1
Net income from continuing operations	35.4	45.4	91.4	127.6
Net (loss) income from discontinued operations	(2.9	) 7.1	31.6	26.1
Net income	\$32.5	\$52.5	\$123.0	\$153.7
Diluted income (loss) per share:				
Continuing operations	\$1.06	\$1.36	\$2.73	\$3.83
Discontinued operations	(0.09	) 0.21	0.95	0.78
Net income	\$0.97	\$1.57	\$3.68	\$4.61

## Executive Overview

## Third Quarter Highlights

Our Enterprise Cabling & Security Solutions ("ECS") segment achieved record quarterly sales of \$1,035.4 million, a 14.5% increase from the prior year quarter, reflecting the Tri-Ed acquisition and an acceleration in our EMEA and emerging markets geographies. Strong volume growth combined with effective expense management led to increased margin in ECS. Our Electrical and Electronic Wire & Cable ("W&C") segment experienced weaker trends, reflecting lower copper prices as well as exposure to energy and weaker industrial projects.

Additional highlights of the quarter included:

- Sales of \$1,489.2 million, up 3.6%, reflecting 0.7% organic growth;
- ECS organic sales growth of 4.0%;



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## ANIXTER INTERNATIONAL INC.

## Acquisition and Divestiture of Businesses

During the second quarter, we closed the sale of the Fasteners business to AIP, excluding certain foreign locations, resulting in initial cash proceeds of \$358.0 million. In the third quarter of 2015, in accordance with the terms of the agreement, AIP paid \$10.0 million of the purchase price upon its acceptance of a stand-alone data center established by the parties. Also, in the third quarter of 2015, based on the preliminary calculation of the post-closing adjustment to the purchase price under the agreement, we reduced the receivable due from AIP by \$1.0 million and recorded a reduction to the gain on the sale. We received a \$13.0 million cash payment from AIP in prepayment of the post-closing adjustment during the third quarter of 2015, leaving a \$0.9 million receivable due from AIP outstanding as of October 2, 2015. Including transaction related costs of \$17.2 million, the sale resulted in a pre-tax gain of \$39.7 million (\$29.9 million, net of tax). This transaction gives us a sharper strategic focus on our core ECS and W&C segments and provides additional financial flexibility to build on these strong global platforms through organic investments or strategic acquisitions.

Subsequent to the quarter, on October 5, 2015, we completed the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc. pursuant to the terms and conditions set forth in the Purchase Agreement dated July 15, 2015, in which we agreed to acquire the equity interest of certain subsidiaries of HD Supply, Inc. and certain assets that comprise the HD Supply Power Solutions Business ("Power Solutions") in exchange for \$836.4 million (net of cash and outstanding checks of \$12.8 million and a preliminary unfavorable net working capital adjustment of \$24.2 million) (the "Acquisition"). The Acquisition was financed using borrowings under the Senior notes due 2023 ("Notes due 2023"), new financing arrangements described in Note 12. "Subsequent Events" in the Notes to the Condensed Consolidated Financial Statements and cash on hand. Power Solutions reported fiscal 2014 revenue of \$1.9 billion and adjusted EBITDA of \$79 million. The acquisition is expected to be accretive to earnings by \$0.50 - \$0.60 in fiscal year 2016, exclusive of transaction and one-time integration expenses.

The ongoing integration of the Tri-Ed business delivered expected synergies to the combined security business in the first full year post-closing. With the closing of the Power Solutions acquisition, our focus will be on the successful integration of this business to maximize the significant synergy opportunities.

## Strategy Update and Business Outlook

In addition to solid execution in the business in a challenging macro environment, the current quarter was marked by significant progress on our strategic goals. Power Solutions represents the largest acquisition in Anixter's history and transforms Anixter into one of the leading North American electrical distribution platforms, enhances our competitive position in the electrical wire and cable business and further strengthens our overall customer and supplier value proposition. The strategic actions we have completed over the last 5 quarters, including the acquisition of Tri-Ed, the sale of Fasteners and the acquisition of Power Solutions, position Anixter as a leading global competitor in each of our businesses, provide a platform for substantial and sustainable long term growth, and will enable us to maximize shareholder value in both the near term and the long term.

Based on current backlog trends, we believe that momentum in our security and network infrastructure businesses will continue in the fourth quarter. While our W&C business continues to be impacted by macro-economic headwinds, including lower copper and oil prices, the acquisition of Power Solutions is a critical strategic step to increase the competitiveness and profitable growth of this business going forward. With year-to-date 2015 organic sales growth from continuing operations of 2.1%, we expect our full year organic sales growth to be in the 1.5% - 2.5% range.

## Items Impacting Comparability of Results

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this report includes certain financial measures computed using non-GAAP components as defined by the Securities and Exchange Commission. Specifically, net sales comparisons to the prior corresponding period, both worldwide and in relevant segments, are discussed in this report both on a GAAP basis and non-GAAP basis. We believe that by reporting non-GAAP organic growth, which adjusts for the impact of acquisitions (when applicable), foreign exchange fluctuations and copper prices, both management and investors are provided with meaningful supplemental

sales information to understand and analyze our underlying trends and other aspects of our financial performance. Beginning in 2015, we calculate the year-over-year organic sales growth impact relating to the Tri-Ed acquisition by including their 2014 results prior to the acquisition with our results (on a "pro forma" basis) as we believe this represents the most accurate representation of organic growth, considering the nature of the company we acquired and the synergistic revenues that have been achieved. From time to time, we may also exclude other items from reported financial results (e.g., impairment charges, inventory adjustments, restructuring charges, tax items, currency devaluations, etc.) so that both management and financial statement users can use these non-GAAP financial measures to better understand and evaluate our performance period over period and to analyze the underlying trends of our business.

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## ANIXTER INTERNATIONAL INC.

EBITDA is defined as net income from continuing operations before interest, income taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before foreign exchange and other non-operating expense and non-cash stock-based compensation, excluding the other special items from reported financial results, as defined above. EBITDA and Adjusted EBITDA are presented because we believe they are useful indicators of our performance and our ability to meet debt service requirements. They are not, however, intended as an alternative measure of operating results or cash flow from operations as determined in accordance with generally accepted accounting principles.

Non-GAAP financial measures provide insight into selected financial information and should be evaluated in the context in which they are presented. These non-GAAP financial measures have limitations as analytical tools, and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as reported by us may not be comparable to similarly titled amounts reported by other companies. The non-GAAP financial measures should be considered in conjunction with the Condensed Consolidated Financial Statements, including the related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated above.

Our operating results can be affected by changes in prices of commodities, primarily copper, which are components in some of the electrical wire and cable products sold. Generally, as the costs of inventory purchases increase due to higher commodity prices, our mark-up percentage to customers remains relatively constant, resulting in higher sales revenue and gross profit. In addition, existing inventory purchased at previously lower prices and sold as prices increase may result in a higher gross profit margin. Conversely, a decrease in commodity prices in a short period of time would have the opposite effect, negatively affecting financial results. The degree to which spot market copper prices change affects product prices, and the amount of gross profit earned will be affected by end market demand and overall economic conditions. Importantly, however, there is no exact measure of the impact of changes in copper prices, as there are thousands of transactions in any given quarter, each of which has various factors involved in the individual pricing decisions. Therefore, all references to the effect of copper prices are estimates.

In the third quarter of 2015, we recorded \$8.1 million (\$5.0 million, net of tax) of acquisition and integration costs related to the Power Solutions acquisition. In the second quarter of 2015, we recorded \$14.1 million (\$8.9 million, net of tax) of expense, which includes \$5.3 million of restructuring costs, a write-off of capitalized software of \$3.1 million that has no ongoing economic benefit to continuing operations, \$2.6 million of bad debt expense related to a customer in Venezuela, a \$1.7 million dilapidation provision related to our leasehold properties, acquisition and integration costs of \$1.0 million and \$0.4 million related to pension divestiture costs. In the first quarter of 2015, we recorded \$0.7 million (\$0.4 million, net of tax) of foreign exchange losses due to the devaluation of the Venezuela bolivar.

In the third quarter of 2014, we recorded \$6.0 million (\$5.0 million, net of tax) of acquisition and integration costs related to the Tri-Ed acquisition and a net benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes.

The second quarter of 2014 includes a net tax benefit of \$2.0 million primarily related to the reversal of a deferred tax valuation allowance in Europe. In the first quarter of 2014, we recorded \$8.0 million (\$5.3 million, net of tax) of foreign exchange losses due to the devaluation of the Venezuela bolivar and the Argentina peso. We also recorded a net tax benefit of \$4.9 million in the first quarter of 2014 primarily related to the reversal of deferred income tax valuation allowances in Europe.



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## ANIXTER INTERNATIONAL INC.

The following summarizes the various items that favorably/(unfavorably) impact the comparability of the results for the three and nine months ended October 2, 2015 and October 3, 2014:

## Items Impacting Comparability of Results from Continuing

## Operations:

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 2,	October 3,	October 2,	October 3,
	2015	2014	2015	2014
	As		As	
	Adjusted		Adjusted	
	Favorable / (Unfavorable)			
Items impacting operating income:				
Restructuring charge	\$—	\$—	\$(5.3)	\$—
Write-off of capitalized software	—	—	(3.1)	—
Venezuelan customer bad debt expense	—	—	(2.6)	—
Dilapidation provision	—	—	(1.7)	—
Acquisition and integration costs	(8.1)	(5.7)	(9.1)	(5.7)
Pension divestiture costs	—	—	(0.4)	—
Total of items impacting operating income	\$(8.1)	\$(5.7)	\$(22.2)	\$(5.7)
Items impacting other expenses:				
Foreign exchange loss from the devaluation of foreign currencies	\$—	\$—	\$(0.7)	\$(8.0)
Acquisition financing costs	—	(0.3)	—	(0.3)
Total of items impacting other expenses	\$—	\$(0.3)	\$(0.7)	\$(8.3)
Total of items impacting pre-tax income	\$(8.1)	\$(6.0)	\$(22.9)	\$(14.0)
Items impacting income taxes:				
Tax impact of items impacting pre-tax income above	\$3.1	\$1.0	\$8.6	\$3.7
Primarily reversal of deferred income tax valuation allowances	—	—	—	6.9
Tax benefits related to closing prior tax years	—	1.9	—	1.9
Total of items impacting income taxes	\$3.1	\$2.9	\$8.6	\$12.5
Net income impact of these items	\$(5.0)	\$(3.1)	\$(14.3)	\$(1.5)
Diluted EPS impact of these items	\$(0.15)	\$(0.10)	\$(0.43)	\$(0.05)

Operating income in the third quarter of 2014 was impacted by the Tri-Ed acquisition and integration costs of \$5.7 million, which were allocated to ECS. The items impacting operating income by segment for the three and nine months ended October 2, 2015 are reflected in the table below.

## Items Impacting Comparability of Operating Income by Segment:

(In millions)	Three Months Ended October 2, 2015			
	ECS	W&C	Corporate	Total
	Favorable / (Unfavorable)			
Acquisition and integration costs	\$—	\$1.0	\$(9.1)	\$(8.1)
Total of items impacting operating income	\$—	\$1.0	\$(9.1)	\$(8.1)

(In millions)	Nine Months Ended October 2, 2015			
	ECS	W&C	Corporate	Total
	Favorable / (Unfavorable)			
Restructuring charge	\$(3.0)	\$(2.2)	\$(0.1)	\$(5.3)
Write-off of capitalized software	(1.9)	(0.9)	(0.3)	(3.1)
Venezuelan customer bad debt expense	(2.6)	—	—	(2.6)
Dilapidation provision	(0.9)	(0.8)	—	(1.7)
Acquisition and integration costs	—	—	(9.1)	(9.1)

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Pension divestiture costs	(0.3	)	(0.1	)	—	(0.4	)	
Total of items impacting operating income	\$(8.7	)	\$(4.0	)	\$(9.5	)	\$(22.2	)

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## ANIXTER INTERNATIONAL INC.

## GAAP to Non-GAAP Net Income and EPS Reconciliation:

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Reconciliation to most directly comparable GAAP financial measure:		As Adjusted		As Adjusted
Net income from continuing operations - Non-GAAP	\$40.4	\$48.5	\$105.7	\$129.1
Items impacting net income from continuing operations	(5.0 )	(3.1 )	(14.3 )	(1.5 )
Net income from continuing operations - GAAP	\$35.4	\$45.4	\$91.4	\$127.6
Diluted EPS from continuing operations – Non-GAAP	\$1.21	\$1.46	\$3.16	\$3.88
Diluted EPS impact of these items from continuing operations	(0.15 )	(0.10 )	(0.43 )	(0.05 )
Diluted EPS from continuing operations – GAAP	\$1.06	\$1.36	\$2.73	\$3.83

The Tri-Ed acquisition was accounted for as a purchase and its respective results of operations are included in the Condensed Consolidated Financial Statements from the date of the acquisition. Had this acquisition occurred at the beginning of fiscal 2014, our third quarter 2014 pro forma net sales, net income from continuing operations and diluted income per share from continuing operations would have been \$1,566.9 million, \$50.7 million, and \$1.52, respectively, as compared to reported results of \$1,438.0 million, \$45.4 million, and \$1.36, respectively. Excluding the unfavorable impact of items impacting net income from continuing operations of \$3.1 million as described above, the third quarter 2014 pro forma diluted income per share from continuing operations would have been \$1.62, as compared to the non-GAAP diluted earnings per share from continuing operations of \$1.46 in the reconciliation above.

Had this acquisition occurred at the beginning of fiscal 2014, our nine months ended October 3, 2014 pro forma net sales, net income from continuing operations and diluted income per share from continuing operations would have been \$4,474.9 million, \$134.4 million, and \$4.03, respectively, as compared to reported results of \$4,055.2 million, \$127.6 million, and \$3.83, respectively. Excluding the unfavorable impact of items impacting net income from continuing operations of \$1.5 million as described above, the nine months ended October 3, 2014 pro forma diluted income per share from continuing operations would have been \$4.08, as compared to the non-GAAP diluted earnings per share from continuing operations of \$3.88 in the reconciliation above. For further pro forma information regarding Tri-Ed, refer to Note 3. "Business Combination" in the Notes to the Condensed Consolidated Financial Statements.

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## ANIXTER INTERNATIONAL INC.

## Net Sales

## Sales Growth Trends

(\$ millions)	Three Months Ended October 2, 2015			Three Months Ended October 3, 2014				Organic Growth / (Decline)	
	As Reported	Foreign Exchange Impact	Copper Impact	As Adjusted	As Reported	Acquisition Impact	Pro Forma		
Enterprise Cabling and Security Solutions				As Adjusted					
North America	\$797.6	\$17.0	\$—	\$814.6	\$692.3	\$128.4	\$820.7	(0.7)	)%
Europe	87.6	9.9	—	97.5	83.3	—	83.3	16.9	%
Emerging Markets	150.2	12.1	—	162.3	128.3	0.5	128.8	26.0	%
ECS	\$1,035.4	\$39.0	\$—	\$1,074.4	\$903.9	\$128.9	\$1,032.8	4.0	%
Electrical and Electronic Wire and Cable									
North America	\$335.6	\$15.1	\$21.3	\$372.0	\$396.5	\$—	\$396.5	(6.2)	)%
Europe	65.7	5.9	1.7	73.3	75.5	—	75.5	(3.0)	)%
Emerging Markets	52.5	3.3	1.9	57.7	62.1	—	62.1	(7.1)	)%
W&C	\$453.8	\$24.3	\$24.9	\$503.0	\$534.1	\$—	\$534.1	(5.8)	)%
Total	\$1,489.2	\$63.3	\$24.9	\$1,577.4	\$1,438.0	\$128.9	\$1,566.9	0.7	%
Geographic Sales									
North America	\$1,133.2	\$32.1	\$21.3	\$1,186.6	\$1,088.8	\$128.4	\$1,217.2	(2.5)	)%
Europe	153.3	15.8	1.7	170.8	158.8	—	158.8	7.5	%
Emerging Markets	202.7	15.4	1.9	220.0	190.4	0.5	190.9	15.2	%
Total	\$1,489.2	\$63.3	\$24.9	\$1,577.4	\$1,438.0	\$128.9	\$1,566.9	0.7	%

ECS – Sales of \$1,035.4 million compares to \$903.9 million in the prior year period, a 14.5% increase, driven by an increase in security sales resulting from the Tri-Ed acquisition and strength in our emerging markets and EMEA regions. ECS organic sales increased by 4.0%, adjusting for the \$39.0 million unfavorable impact from foreign exchange on current quarter sales and the \$128.9 million favorable impact from the Tri-Ed acquisition.

Record quarter ECS security sales of \$402.4 million, which represents approximately 39% of total segment sales, increased 40.0% from the prior year quarter. Adjusted for the acquisition impact of Tri-Ed and the \$13.8 million negative currency impact, organic security sales growth was flat.

W&C – Sales of \$453.8 million compares to \$534.1 million in the prior year period, a 15.0% decrease. Excluding the \$24.3 million unfavorable impact from foreign exchange and the \$24.9 million unfavorable impact from lower average copper prices, organic sales decreased by 5.8%, reflecting slower sales growth in all regions.

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## ANIXTER INTERNATIONAL INC.

## Sales Growth Trends

(\$ millions)	Nine Months Ended October 2, 2015				Nine Months Ended October 3, 2014				Organic Growth / (Decline)
	As Reported	Foreign Exchange Impact	Copper Impact	As Adjusted	As Reported	Acquisition Impact	Pro Forma		
Enterprise Cabling and Security Solutions					As Adjusted				
North America	\$2,313.2	\$40.5	\$—	\$2,353.7	\$1,874.3	\$417.7	\$2,292.0	2.7	%
Europe	254.1	32.4	—	286.5	249.6	—	249.6	14.7	%
Emerging Markets	385.5	26.3	—	411.8	390.8	2.0	392.8	4.8	%
ECS	\$2,952.8	\$99.2	\$—	\$3,052.0	\$2,514.7	\$419.7	\$2,934.4	4.0	%
Electrical and Electronic Wire and Cable									
North America	\$1,019.4	\$36.8	\$43.0	\$1,099.2	\$1,100.1	\$—	\$1,100.1	(0.1)	)%
Europe	201.6	20.2	2.7	224.5	246.2	—	246.2	(8.8)	)%
Emerging Markets	180.9	7.4	3.9	192.2	194.2	—	194.2	(1.1)	)%
W&C	\$1,401.9	\$64.4	\$49.6	\$1,515.9	\$1,540.5	\$—	\$1,540.5	(1.6)	)%
Total	\$4,354.7	\$163.6	\$49.6	\$4,567.9	\$4,055.2	\$419.7	\$4,474.9	2.1	%
Geographic Sales									
North America	\$3,332.6	\$77.3	\$43.0	\$3,452.9	\$2,974.4	\$417.7	\$3,392.1	1.8	%
Europe	455.7	52.6	2.7	511.0	495.8	—	495.8	3.1	%
Emerging Markets	566.4	33.7	3.9	604.0	585.0	2.0	587.0	2.9	%
Total	\$4,354.7	\$163.6	\$49.6	\$4,567.9	\$4,055.2	\$419.7	\$4,474.9	2.1	%

ECS – Sales of \$2,952.8 million compares to \$2,514.7 million in the prior year period, a 17.4% increase, driven by an increase in security sales resulting from the Tri-Ed acquisition and strength in all regions. ECS organic sales increased by 4.0%, adjusting for the \$99.2 million unfavorable impact from foreign exchange on current year sales and the \$419.7 million favorable impact from the Tri-Ed acquisition.

Record ECS security sales for the nine months ended October 2, 2015 of \$1,168.9 million, which represents approximately 40% of total segment sales, increased 60.0% from the prior year period. Adjusted for the acquisition impact of Tri-Ed and the \$35.1 million negative currency impact, organic security sales growth was 4.7%.

W&C – Sales of \$1,401.9 million compares to \$1,540.5 million in the prior year period, a 9.0% decrease. Excluding the \$64.4 million unfavorable impact from foreign exchange and the \$49.6 million unfavorable impact from lower average copper prices, organic sales decreased by 1.6%, reflecting slower sales growth in all regions.

## Gross Margin

Gross margin of 22.2% in the current quarter compares to 22.4% in the prior year quarter. On a year-to-date basis, gross margin in the first nine months of 2015 of 22.3% compares to 22.6% in the prior year period. The lower gross margin reflects the impact of the Tri-Ed acquisition with its lower security product gross margin.

## Operating Expenses

Operating expense of \$252.7 million in the third quarter of 2015 compares to \$240.2 million in the prior year quarter. The third quarter of 2015 and 2014 include \$8.1 million and \$5.7 million, respectively, of acquisition and integration costs associated with the Power Solutions and Tri-Ed acquisitions. Excluding these costs as well as a favorable \$10.3

million impact of foreign currency, and including \$14.8 million of pro forma Tri-Ed expenses in the prior year quarter, adjusted operating expense would have increased by 2.3%. In addition to a volume-related operating expense increase, current quarter operating expense includes the year-over-year incremental impact of approximately \$3.6 million from the previously disclosed higher pension and other employee benefit costs. Further adjusting for this, adjusted operating expense would have increased 0.9%.

Operating expense of \$767.1 million for the nine months ended October 2, 2015 compares to \$688.1 million for the nine months ended October 3, 2014. We recognized \$22.2 million of various pre-tax charges during the nine months ended October

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## ANIXTER INTERNATIONAL INC.

2, 2015, including a restructuring charge of \$5.3 million, reflecting actions we are taking to improve efficiencies and eliminate stranded costs in the business. In addition, we also recognized charges to write off \$3.1 million of capitalized software that has no ongoing economic benefit to continuing operations, \$2.6 million of bad debt expense related to a customer in Venezuela, a \$1.7 million dilapidation provision related to our leasehold properties, \$9.1 million of acquisition and integration costs associated with the Power Solutions acquisition and \$0.4 million related to pension divestiture costs. During the nine months ended October 3, 2014, we recognized \$5.7 million of acquisition and integration costs associated with the Tri-Ed acquisition. Excluding these costs as well as a favorable \$28.2 million impact of foreign currency, and including \$62.4 million of pro forma Tri-Ed expenses in the prior year, adjusted operating expense would have increased by 3.8%. In addition to a volume-related operating expense increase, year-to-date operating expense includes the year-over-year incremental impact of approximately \$11.3 million from the previously disclosed higher pension and other employee benefit costs. Further adjusting for this, adjusted operating expense would have increased 2.3%.

## Operating Income (Loss)

(In millions)	Three Months Ended				Nine Months Ended			
	ECS	W&C	Corporate	Total	ECS	W&C	Corporate	Total
Operating income, 2015	\$61.8	\$28.6	\$(12.2 )	\$78.2	\$140.3	\$79.8	\$(18.1 )	\$202.0
Operating income, 2014 (As Adjusted)	46.7	38.7	(2.9 )	82.5	129.8	108.7	(8.8 )	229.7
\$ Change	\$15.1	\$(10.1 )	\$(9.3 )	\$(4.3 )	\$10.5	\$(28.9 )	\$(9.3 )	\$(27.7 )
% Change	32.4	%(26.0 )%	315.0	%(5.1 )%	8.1	%(26.5 )%	106.0	%(12.0 )%

## Items impacting

operating income in \$— 2015

	\$1.0	\$(9.1 )	\$(8.1 )	\$(8.7 )	\$(4.0 )	\$(9.5 )	\$(22.2 )
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## Adjusted operating

income, 2015 (Non-GAAP)

	\$61.8	\$27.6	\$(3.1 )	\$86.3	\$149.0	\$83.8	\$(8.6 )	\$224.2
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## Items impacting

operating income in \$(5.7 ) 2014

	\$(5.7 )	\$—	\$—	\$(5.7 )	\$(5.7 )	\$—	\$—	\$(5.7 )
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## Adjusted operating

income, 2014 (Non-GAAP)

	\$52.4	\$38.7	\$(2.9 )	\$88.2	\$135.5	\$108.7	\$(8.8 )	\$235.4
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## Adjusted % Change (Non-GAAP)

	17.9	%(28.7 )%	5.3	%(2.2 )%	9.9	%(22.8 )%	(1.4 )%	(4.8 )%
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ECS – ECS adjusted operating income of \$61.8 million for the third quarter of 2015 increased by 17.9% versus \$52.4 million in the prior year period. Currency had a \$2.2 million unfavorable impact on the current quarter. Adjusted operating margin of 6.0% for the third quarter of 2015 compares to 5.8% for the prior year period. ECS adjusted operating income of \$149.0 million for the nine months ended October 2, 2015 increased by 9.9% versus \$135.5 million in the prior year period. Currency had a \$4.6 million unfavorable impact for the nine months ended October 2, 2015. Adjusted operating margin of 5.0% for the nine months ended October 2, 2015 compares to 5.4% for the prior year period. Currency headwinds, product mix and competitive pricing pressures caused the decline from the prior year.

W&C – W&C adjusted operating income of \$27.6 million for the third quarter of 2015 decreased by 28.7% versus \$38.7 million in the prior year period. Adjusted operating margin of 6.1% for the third quarter of 2015 compares to

7.2% for the prior year period. W&C adjusted operating income of \$83.8 million for the nine months ended October 2, 2015 decreased by 22.8% versus \$108.7 million in the prior year period. Adjusted operating margin of 6.0% for the nine months ended October 2, 2015 compares to 7.1% for the prior year period. The decline in operating margin versus the prior year period was caused by the unfavorable impacts of lower copper prices and currency headwinds combined with the overall weaker macro environment, which continue to create margin pressure.

Corporate – Operating losses for the third quarter and first nine months of 2015 were the result of corporate expenses that historically had been allocated to the Fasteners business. These expenses are not directly related to the discontinued operations, as detailed in Note 2. "Discontinued Operations", so they are now reported in our corporate segment.



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## ANIXTER INTERNATIONAL INC.

## Interest Expense and Other

Interest expense of \$15.8 million increased by \$5.5 million compared to the prior year quarter. Interest expense of \$42.7 million for the nine months ended October 2, 2015 increased by \$13.3 million compared to the prior year period. The increase in interest expense results from the issuance of the Notes due 2023 in August 2015 to fund the Power Solutions acquisition, the Senior notes due 2021 ("Notes due 2021") issued in September 2014 to fund the Tri-Ed acquisition and incremental interest expense from the term loan received in August 2014 ("Term Loan"), partially offset by the repayment of the 5.95% Senior notes due 2015 in the first quarter of 2015.

Foreign exchange and other expense of \$5.5 million in the third quarter of 2015 compares to \$2.0 million in the third quarter of 2014. Foreign exchange and other expense of \$13.0 million for the nine months ended October 2, 2015 compares to \$13.6 million for the nine months ended October 3, 2014. In the first quarter of 2015, the Venezuelan government changed its policy regarding the bolivar, which we believe will now require us to use the Sistema Marginal de Divisas or Marginal Exchange System ("SIMADI") a "completely free floating" rate. As a result, we believe that the current rate of approximately 200.0 bolivars to one U.S. Dollar ("USD") will be the rate available to us in the event we repatriate cash from Venezuela. As a result of this devaluation, we recorded a foreign exchange loss of \$0.7 million in the first quarter of 2015. In the first quarter of 2014, the Venezuelan government changed its policy regarding the bolivar, which required us to use the Complementary System for the Administration of Foreign Currency ("SICAD") rate of 49.0 bolivars to one USD to repatriate cash from Venezuela. In the first quarter of 2014, the Argentina peso was also devalued from 6.5 pesos to one USD to approximately 8.0 pesos to one USD after the central bank scaled back its intervention in a bid to preserve USD cash reserves. As a result of these devaluations, we recorded foreign exchange losses in these two countries of \$8.0 million in the first quarter of 2014. We recorded foreign exchange transaction losses of \$4.5 million and \$2.3 million in the third quarter of 2015 and 2014, respectively, and \$10.5 million and \$4.7 million for the nine months ended October 2, 2015 and October 3, 2014, respectively. The increase in foreign exchange transaction losses from the prior year periods was primarily due to additional foreign exchange losses resulting from significant strengthening of the USD, primarily in Latin America. The combined effect of changes in both the equity and bond markets resulted in changes in the cash surrender value of our owned life insurance policies associated with our sponsored deferred compensation program. We recorded losses on the cash surrender value of \$0.5 million and \$0.3 million in the third quarter of 2015 and 2014, respectively, and a loss of \$0.5 million and a gain of \$0.5 million for the nine months ended October 2, 2015 and nine months ended October 3, 2014, respectively.

## Income Taxes

Our effective tax rate from continuing operations for the third quarter of 2015 was 37.8% compared to 35.4% in the prior year period. The third quarter of 2014 included a net tax benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes. Excluding these items, the third quarter of 2014 effective tax rate would have been 36.4%. The increase from the prior year quarter adjusted effective tax rate of 36.4% was due to the change in the country mix of earnings.

Our effective tax rate from continuing operations for the nine months ended October 2, 2015 was 37.5% compared to 31.7% in the prior year period. The prior year period included a net tax benefit of \$6.9 million primarily related to the reversal of deferred income tax valuation allowances in Europe and a net tax benefit of \$1.9 million primarily related to closing prior tax years, partially offset by a tax cost of \$1.1 million related to certain acquisition transaction costs that are capitalized for tax purposes. Excluding these items, the nine months ended October 3, 2014 effective tax rate would have been 35.7%. The increase from the prior year adjusted effective tax rate of 35.7% was due to the change in the country mix of income. Our nine months ended October 2, 2015 effective tax rate differs from the U.S. federal statutory rate primarily as a result of U.S. state taxes and our worldwide country mix of earnings.

As of January 2, 2015, we asserted permanent reinvestment of all non-U.S. earnings, including the non-U.S. earnings of the Fasteners business. As a result of the disposition of the Fasteners business, we are no longer permanently reinvested with respect to the non-U.S. earnings of the Fasteners business, because we repatriated to the U.S. most of the net proceeds attributable to the sale of the non-U.S. Fasteners business via intercompany debt repayment, dividend

or other means. During the second quarter of 2015, we refined the anticipated repatriation amount and the estimated tax impact of the change in the reinvestment assertion, and we reduced the first quarter estimate by \$4.9 million. Therefore, our nine months ended October 2, 2015 results include, as a component of discontinued operations, \$10.3 million expense for U.S. federal and state, and foreign income taxes and withholding taxes related to this change in our reinvestment assertion.

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## ANIXTER INTERNATIONAL INC.

## 2015 EBITDA by Segment

(In millions)	Three Months Ended October 2, 2015				Nine Months Ended October 2, 2015			
	ECS	W&C	Corporate	Total	ECS	W&C	Corporate	Total
Net income from continuing operations	\$61.8	\$28.6	\$(55.0)	\$35.4	\$140.3	\$79.8	\$(128.7)	\$91.4
Interest expense	—	—	15.8	15.8	—	—	42.7	42.7
Income taxes	—	—	21.5	21.5	—	—	54.9	54.9
Depreciation	3.3	1.8	0.1	5.2	10.4	5.0	0.2	15.6
Amortization of intangible assets	3.7	1.3	—	5.0	11.1	4.2	—	15.3
EBITDA	\$68.8	\$31.7	\$(17.6)	\$82.9	\$161.8	\$89.0	\$(30.9)	\$219.9
Total of items impacting operating income	—	(1.0)	9.1	8.1	8.7	4.0	9.5	22.2
Foreign exchange and other non-operating expense	—	—	5.5	5.5	—	—	13.0	13.0
Stock-based compensation	2.2	1.1	—	3.3	6.6	3.5	0.1	10.2
Adjusted EBITDA	\$71.0	\$31.8	\$(3.0)	\$99.8	\$177.1	\$96.5	\$(8.3)	\$265.3

## 2014 EBITDA by Segment (As Adjusted)

(In millions)	Three Months Ended October 3, 2014				Nine Months Ended October 3, 2014			
	ECS	W&C	Corporate	Total	ECS	W&C	Corporate	Total
Net income from continuing operations	\$46.7	\$38.7	\$(40.0)	\$45.4	\$129.8	\$108.7	\$(110.9)	\$127.6
Interest expense	—	—	10.3	10.3	—	—	29.4	29.4
Income taxes	—	—	24.8	24.8	—	—	59.1	59.1
Depreciation	3.2	1.8	—	5.0	9.0	5.5	—	14.5
Amortization of intangible assets	0.7	1.4	—	2.1	1.1	4.3	—	5.4
EBITDA	\$50.6	\$41.9	\$(4.9)	\$87.6	\$139.9	\$118.5	\$(22.4)	\$236.0
Total of items impacting operating income	5.7	—	—	5.7	5.7	—	—	5.7
Foreign exchange and other non-operating expense	—	—	2.0	2.0	—	—	13.6	13.6
Stock-based compensation	2.0	1.3	—	3.3	5.7	3.6	—	9.3
Adjusted EBITDA	\$58.3	\$43.2	\$(2.9)	\$98.6	\$151.3	\$122.1	\$(8.8)	\$264.6

The following represents the components of the results from discontinued operations as reflected in our Condensed Consolidated Statement of Cash Flows:

(In millions)	Three Months Ended		Nine Months Ended	
	October 2, 2015	October 3, 2014	October 2, 2015	October 3, 2014
Depreciation	\$—	\$1.0	\$1.5	\$2.9
Amortization	\$—	\$0.3	\$0.5	\$0.9
Stock-based compensation	\$—	\$0.2	\$0.6	\$0.8
Capital expenditures	\$—	\$0.8	\$1.9	\$4.4



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ANIXTER INTERNATIONAL INC.

Financial Liquidity and Capital Resources

Cash Flow

As a distributor, our use of capital is largely for working capital to support our revenue growth. Capital commitments for property and equipment are limited to information technology assets, warehouse equipment, office furniture and fixtures and leasehold improvements, since we operate almost entirely from leased facilities. Therefore, in any given reporting period, the amount of cash consumed or generated by operations other than from net earnings will primarily be due to changes in working capital as a result of the rate of increases or decreases in sales.

In periods when sales are increasing, the expanded working capital needs will be funded first by cash from operations, then from additional borrowings and lastly from additional equity offerings. In periods when sales are decreasing, we will have improved cash flows due to reduced working capital requirements. During such periods, we will use the expanded cash flow to reduce the amount of leverage in our capital structure until such time as improved economic conditions and growth resume. Also, we will, from time to time, issue or retire borrowings or equity in an effort to maintain a cost-effective capital structure consistent with our anticipated capital requirements.

Net cash provided by operations was \$93.7 million for the nine months ended October 2, 2015, which compares to \$68.6 million in the prior year period. Net cash provided by operations for the nine months ended October 2, 2015 reflects payments related to discontinued operations and includes a \$47.1 million net gain from the sale of Fasteners. Net cash provided by investing activities was \$354.0 million in the nine months ended October 2, 2015, which included \$381.0 million of initial cash proceeds from the sale of the Fasteners business, partially offset by \$29.2 million for capital expenditures. This compares to net cash used in investing activities of \$448.9 million in the nine months ended October 3, 2014, which included \$418.4 million for the acquisition of Tri-Ed in the third quarter of 2014 and \$30.5 million for capital expenditures. For the full year, we expect to invest approximately \$40.0 million in capital investments.

Net cash provided by financing activities was \$77.4 million in the nine months ended October 2, 2015, which included net proceeds of \$345.6 million from the issuance of the Notes due 2023, partially offset by repayments of borrowings on the accounts receivable securitization facility of \$63.9 million and the repayment of our Senior notes due 2015, which had a maturity value of \$200.0 million. Net cash provided by financing activities was \$408.6 million in the nine months ended October 3, 2014, which included proceeds of \$200.0 million and \$394.0 million from the Term Loan and issuance of the Notes due 2021, respectively, partially offset by net repayments of borrowings on revolving lines of credit of \$160.7 million and the repayment of our Senior notes due 2014, which had a maturity value of \$32.3 million.

Liquidity and Capital Resources

On August 18, 2015, our primary operating subsidiary, Anixter Inc., completed the issuance of \$350.0 million principal amount of Notes due 2023. The Notes due 2023 were issued at a price that was 98.75% of par, which resulted in a discount related to underwriting fees of \$4.4 million. The discount is reported on the Consolidated Balance Sheet as a reduction to the face amount of the Notes due 2023 and is being amortized to interest expense over the term of the related debt, using the effective interest method. In addition, \$1.7 million of issuance costs were paid, which are being amortized through maturity using the straight-line method. The Notes due 2023 pay interest semi-annually at a rate of 5.50% per annum and will mature on March 1, 2023. In addition, Anixter Inc. may at any time redeem some or all of the Notes due 2023 at a price equal to 100% of the principal amount plus a "make whole" premium. If we experience certain kinds of changes of control, Anixter Inc. must offer to repurchase all of the Notes due 2023 outstanding at 101% of the aggregate principal amount repurchased, plus accrued and unpaid interest. The proceeds were used to partially finance the acquisition of the HD Supply Power Solutions Business from HD Supply, Inc. and certain subsidiaries of HD Supply, Inc., as described in Note 12. "Subsequent Events" in the Notes to the Condensed Consolidated Financial Statements. We fully and unconditionally guarantee the Notes due 2023, which are unsecured obligations of Anixter Inc.

At the end of the third quarter of 2015, we had approximately \$336.7 million in available, committed, unused borrowings under our \$300 million accounts receivable securitization facility and Anixter Inc.'s 5-year senior unsecured revolving credit agreement. All credit lines and the accounts receivable securitization facility are with financial institutions with investment grade credit ratings. Our cash balance was \$614.9 million at October 2, 2015, which includes the net proceeds from the Notes due 2023. Our gross debt-to-total capitalization was 51.8% and 51.6% at October 2, 2015 and January 2, 2015, respectively. With the strong free cash flow we expect to generate from our existing platform, we plan to reduce our debt to our target range of 45 - 50% debt-to-capital in the next 12-18 months.

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ANIXTER INTERNATIONAL INC.

We are in compliance with all of our covenant ratios and believe that there is adequate margin between the covenant ratios and the actual ratios given the current trends of the business. Based on the current trends in the business and cash generation, we anticipate Anixter Inc. will have adequate liquidity to support the availability limitation and our working capital requirements. For further information, including information regarding our credit arrangements, see Note 6. "Debt" in the Notes to the Condensed Consolidated Financial Statements.

**Critical Accounting Policies and New Accounting Pronouncements**

There were no material changes in our critical accounting policies since the filing of our 2014 Form 10-K. For further information about recently issued accounting pronouncements, see Note 1. "Summary of Significant Accounting Policies" in the Notes to the Condensed Consolidated Financial Statements. As discussed in the 2014 Form 10-K, the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates.

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ANIXTER INTERNATIONAL INC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

There were no material changes to our market risks and related disclosures in Item 7A. of Part II in our Annual Report on Form 10-K for the year ended January 2, 2015, as filed with the Securities and Exchange Commission on February 17, 2015.

ITEM 4. 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 as of October 2, 2015 of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of October 2, 2015. There was no change in our internal control over financial reporting that occurred during the three months ended October 2, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Information regarding legal proceedings is contained in Note 10. "Legal Contingencies" in the Notes to the Condensed Consolidated Financial Statements contained in this report and is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

There were no material changes to the risk factors disclosed in Item 1A of Part 1 in our Annual Report on Form 10-K for the year ended January 2, 2015, as filed with the Securities and Exchange Commission on February 17, 2015.



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ITEM 6. EXHIBITS.

- (10) Material Contracts
  - 10.1 Amendment No. 2 to Asset Purchase Agreement, by and between Optimas OE Solutions, LLC (formerly AIP/Fasteners LLC) and Anixter Inc., dated June 1, 2015.
  - 10.2 Amendment No. 3 to Asset Purchase Agreement, by and between Optimas OE Solutions, LLC (formerly AIP/Fasteners LLC) and Anixter Inc., dated August 21, 2015.
- (31) Rule 13a – 14(a) / 15d – 14(a) Certifications.
  - 31.1 Robert J. Eck, President and Chief Executive Officer, Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  - 31.2 Theodore A. Dosch, Executive Vice President-Finance and Chief Financial Officer, Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- (32) Section 1350 Certifications.
  - 32.1 Robert J. Eck, President and Chief Executive Officer, Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 32.2 Theodore A. Dosch, Executive Vice President-Finance and Chief Financial Officer, Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema Document
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* XBRL Taxonomy Definition Linkbase Document
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and nine months ended October 2, 2015 and October 3, 2014, (ii) the Condensed Consolidated Balance Sheets at October 2, 2015 and January 2, 2015, (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended October 2, 2015 and October 3, 2014, and (iv) Notes to the Condensed Consolidated Financial Statements for the three and nine months ended October 2, 2015. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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ANIXTER INTERNATIONAL INC.

SIGNATURES

Pursuant to the requirements 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.

ANIXTER INTERNATIONAL INC.

October 27, 2015

By: /s/ Robert J. Eck  
Robert J. Eck  
President and Chief Executive Officer

October 27, 2015

By: /s/ Theodore A. Dosch  
Theodore A. Dosch  
Executive Vice President – Finance and  
Chief Financial Officer

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