

CABLE DESIGN TECHNOLOGIES CORP

Form 424B3

May 11, 2004

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Filed pursuant to Rule 424(b)(3)

Registration No. 333-110944

Prospectus

\$110,000,000

4.00% Convertible Subordinated Debentures

due July 15, 2023

We issued \$110,000,000 aggregate principal amount of our 4.00% Convertible Subordinated Debentures due July 15, 2023 in a private placement on July 8, 2003. The debentures are unsecured subordinated obligations of Cable Design Technologies Corporation. We will pay interest on the debentures semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2004. This prospectus relates to resales of the debentures and shares of our common stock issuable upon conversion of the debentures.

The debentures and shares of common stock may be sold from time to time by and for the account of the selling securityholders named in this prospectus. The selling securityholders may sell all or a portion of the debentures or the shares of common stock from time to time in market transactions, in negotiated transactions or otherwise, and at prices and on terms which will be determined by the then prevailing market price for the debentures or at negotiated prices directly or through a broker, who may act as agent or as principal, or by a combination of such methods. See Plan of Distribution beginning on page 37.

We will not receive any of the proceeds from the sale of the debentures or the shares of common stock offered by the selling securityholders. The selling securityholders will receive all proceeds from such sale.

This investment involves risks. See Risk Factors beginning on page 5 and the Risk Factors section of our Form 8-K originally filed March 15, 2004 and amended on April 27, 2004.

Our common stock is traded on the New York Stock Exchange under the symbol CDT. On April 23, 2004, the last reported sale price of our common stock was \$9.20 per share. The debentures are eligible for trading on the Portal market, a subsidiary of The Nasdaq Stock Market, Inc.

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

The date of this prospectus is May 11, 2004.

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SUMMARY

Cable Design Technologies Corporation

We are a designer, manufacturer and distributor of technologically advanced connectivity products for the global network communication and specialty electronic marketplaces. We operate 24 manufacturing facilities in nine countries throughout North America and Europe, and our products are sold in over 80 countries. Our manufacturing capabilities allow us to serve global markets and produce products in locations that are close to their end markets.

We were incorporated in Delaware in 1988. Our principal executive offices are located at 1901 North Roselle Road, Schaumburg, Illinois 60195, and our main telephone number is (847) 230-1900.

Recent Developments

On February 5, 2004, we and Belden Inc. announced that we had entered into a definitive agreement and Plan of Merger, dated February 4, 2004, by and among us, BC Merger Corp., a direct wholly-owned subsidiary of ours, and Belden.

Pursuant to the merger agreement, BC Merger Corp. will be merged with and into Belden, with Belden continuing as the surviving corporation and as a wholly-owned subsidiary of ours. As a result of the merger, each then-outstanding share of Belden common stock, par value \$0.01 per share, other than shares held as treasury stock by Belden, will be canceled and converted into, and become exchangeable for, (i) 2.00 shares of our common stock, par value \$0.01 per share, if a one-for-two reverse stock split of the outstanding shares of our common stock contemplated by the merger agreement has not been effected prior to the effective time of the merger, or (ii) 1.00 share of our common stock if the reverse stock split has been effected prior to the effective time of the merger. Upon completion of the merger, our stockholders prior to the merger will own approximately 45% of the combined company and the stockholders of Belden prior to the merger will own approximately 55% of the combined company, assuming the holders of our convertible debentures do not convert them. The merger is subject to various conditions, including, among others, the receipt of regulatory approvals and the approval of the transaction by each of our and Belden's respective stockholders.

Pursuant to the merger agreement, after the consummation of the merger, our board of directors will be comprised of ten directors, five of whom will be our former directors and five of whom will be former Belden directors. Our Chairman after the merger will be Bryan Cressey, who currently holds the same position with us, and our Chief Executive Officer after the merger will be Baker Cunningham, who currently holds the positions of Chairman, Chief Executive Officer and President of Belden.

The Debentures

This prospectus relates to resales of \$110,000,000 aggregate original principal amount of the debentures and 12,175,549 shares of our common stock initially issuable upon conversion of the debentures, plus an indeterminate number of shares of common stock that may be issued in

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connection with a stock split, stock dividend, recapitalization or similar event or adjustment in the number of shares of common stock issuable as provided in the indenture covering the debentures.

We issued and sold \$110,000,000 aggregate original principal amount of the debentures on July 8, 2003 in a private offering to Credit Suisse First Boston, as initial purchaser. We have been advised by the initial purchaser that the debentures were resold in transactions that were exempt from registration requirements of the Securities Act to persons reasonably believed by the initial purchaser to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A.

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The following is a brief summary of the terms of the debentures. For a more complete description of the debentures, see the section entitled Description of the Debentures in this prospectus.

Issuer	Cable Design Technologies Corporation
Debentures	\$110,000,000 aggregate principal amount of our 4.00% Convertible Subordinated Debentures due 2023.
Price	100% of the principal amount plus accrued interest, if any.
Maturity Date	July 15, 2023.
Interest	<p>We pay interest on the debentures at a rate of 4.00% per annum, payable semi-annually in arrears on January 15 and July 15 of each year.</p> <p>We compute interest for each semi-annual period ending on January 15 and July 15 of each year on the basis of a 360-day year comprised of twelve 30-day months.</p>
Conversion Rights	<p>Holders may convert their debentures into shares of our common stock at a conversion price of \$9.0345 per share. The conversion price will be adjusted for certain reasons specified in the indenture and described in Description of the Debentures. Upon conversion, accrued and unpaid interest will be deemed paid by the common stock received by the holder on conversion and any cash paid in respect of fractional shares.</p> <p>Holders may convert their debentures at any time into shares of our common stock if the closing sale price of our common stock for at least 20 trading days in the 30 trading day period ending on the trading day prior to the date of conversion is at least 110% of the conversion price per share of our common stock on such preceding trading day. Even if the foregoing condition is not satisfied, holders may convert their debentures if the senior implied rating assigned to us by Moody's Investor Service, Inc. is downgraded to B2 or below and the corporate credit rating assigned to us by Standard & Poor's is downgraded to B or below. In addition, debentures called for redemption may be surrendered for conversion until the close of business on the business day prior to the redemption date, or if we make a significant distribution to holders of our common stock or if we are a party to specified consolidations, mergers or transfers or leases of all or substantially all of our assets, holders may surrender debentures for conversion. The ability to surrender debentures for conversion will expire at the close of business on July 15, 2023, unless the debentures previously have been redeemed or purchased. See Description of the Debentures Conversion Rights.</p>
Subordination	The debentures are general unsecured subordinated obligations of ours and will be junior in right of payment to all of our existing and future senior indebtedness and structurally subordinated to all existing and other indebtedness and other liabilities of our subsidiaries.

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The indenture governing the debentures does not limit our or our subsidiaries' ability to incur additional senior indebtedness in the future.

Sinking Fund

None.

Redemption of Debentures at

Our Option

We may redeem all or a portion of the debentures for cash, at any time on or after July 21, 2008, at a redemption price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest up to but not including the date of redemption. See Description of the Debentures Maturity; Redemption of Debentures at Our Option Prior to Maturity.

Purchase of Debentures at the

Option of the Holder

Holder may require us to purchase all or a portion of their debentures on July 15, 2008, July 15, 2013 and July 15, 2018 at a purchase price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest up to but not including the purchase date. We may choose to pay the purchase price in cash, shares of our common stock or a combination of cash and common stock. See Description of the Debentures Purchase of the Debentures at the Option of the Holder.

Purchase at Option of Holder Upon a Change of Control

If a change of control (as defined in this prospectus) occurs, each holder of debentures will have the right, at the holder's option, to require us to purchase for cash all or a portion of such holder's debentures at a purchase price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest up to but not including the change of control purchase date. See Description of the Debentures Purchase at Option of Holder Upon a Change of Control.

Events of Default

If there is an event of default (as defined in this prospectus) on the debentures, an amount equal to the principal amount of the debentures, plus accrued and unpaid interest in respect of the debentures, may be declared immediately due and payable. These amounts automatically become due and payable in certain circumstances. See Description of the Debentures Events of Default.

Use of Proceeds

We will not receive any of the proceeds from the sale by any selling stockholders of the debentures or the shares of our common stock issuable upon conversion of the debentures.

DTC Eligibility

The debentures are issued in book-entry form and are represented by a permanent global certificate deposited with a custodian for and registered in the name of the nominee of The Depository Trust Company (DTC) in New York, New York. Beneficial interests in any such securities will be shown on, and transfers will be effected

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only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of the Debentures Book-Entry, Delivery and Form.

United States Federal Income

Tax Considerations

U.S. holders (as defined in this prospectus), will be required to recognize as ordinary income any interest paid or accrued on the debentures. A U.S. holder will not recognize income, gain or loss upon conversion of the debentures solely into our common stock, except with respect to cash received in lieu of fractional shares. U.S. holders generally will recognize capital gain or loss upon any redemption for cash of the debentures (whether at the holder's or at our option). See United States Federal Income Tax Consequences for a more detailed discussion of these and other tax consequences.

Trading

The debentures are eligible for trading in PORTAL. Our common stock is traded on the New York Stock Exchange under the symbol CDT.

Governing Law

The indenture, the debentures and the registration rights agreement will be governed by the laws of the State of New York.

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RISK FACTORS

You should carefully consider the following risks as well as other information contained or incorporated by reference in this prospectus before deciding to invest in any offered securities. You should also consider the risk factors discussed in our Form 8-K originally filed March 15, 2004 and amended on April 27, 2004. The risks described below and in these other documents are not the only ones we face. Additional risks that are not yet known to us or that we currently think are immaterial could also impair our business, operating results or financial condition.

We may be able to incur significantly more debt in the future, which will increase the risks related to the debentures. The indenture governing the debentures does not prohibit us or our subsidiaries from incurring indebtedness.

Our indebtedness could have important consequences which may affect your investment in the debentures. For example, it could:

limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy, research and development costs or other purposes;

limit our flexibility in planning for and reacting to changes and innovations in our business and in the industry in which we operate, which could make us more vulnerable to adverse changes in general economic, industry and competitive conditions as well as adverse changes in government regulation; and

place us at a disadvantage compared to our competitors that have less debt.

Our ability to pay principal of and interest on the debentures, to service our other debt, and to refinance indebtedness when necessary depends on our financial and operating performance, each of which is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

Holders of senior indebtedness will be paid before holders of the debentures are paid. The debentures are unsecured and subordinated to any senior indebtedness we incur and are structurally subordinated to all liabilities, including trade payables, of our subsidiaries. At January 31, 2004, (i) we had approximately \$3.7 million of senior indebtedness and (ii) our subsidiaries had approximately \$99.2 million of outstanding liabilities, including the senior indebtedness referred to above, as to which the debentures are effectively subordinated. If we become bankrupt, liquidate or dissolve, our assets would be available to pay obligations on the debentures only after any senior indebtedness and liabilities of our subsidiaries have been paid, and there may be insufficient assets to pay amounts due on the debentures.

We may be unable to purchase debentures upon a change of control. Upon the occurrence of specified change of control events, we could be required to purchase all outstanding debentures at a price equal to 100% of their principal amount, plus accrued interest to the repurchase date. Any future senior credit agreement that we enter into will likely contain a covenant that restricts us from repurchasing the debentures upon a change of control without the approval of the lenders. We may not have sufficient funds available or may not be permitted by the lenders under our credit facilities to repurchase the debentures upon a change of control. Our failure to repurchase the debentures would constitute an event of default under the indenture.

You may be unable to sell your debentures if a trading market for the debentures does not develop. There is currently no established trading market for the debentures and none may develop. We do not intend to apply for listing of the debentures on any securities exchange or for quotation on any automated dealer quotation system. Although the initial purchasers in the private placement of the debentures informed us that they intended to make a market for the debentures, they are under no obligation to do so and could discontinue their market-making efforts at any time without notice. Accordingly, an active trading market for the debentures may not develop or, if a market develops, the liquidity of the market may not be sufficient. If an active trading market does not develop or can not be sustained, the price of the debentures could decline significantly.

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If the debentures are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, our performance and certain other factors.

There may be volatility of the market price of the debentures and our common stock. The market price of our common stock has fluctuated in the past and may continue to fluctuate. In addition, the securities markets have experienced significant price and volume fluctuations. Factors such as political and economic conditions in foreign countries, quarterly fluctuations in our operating results and changes in our industry and our competitors may have a significant impact on the market price of the debentures and common stock into which the debentures are convertible. In particular, if we were to report operating results which did not meet the expectations of research analysts, the market price of the debentures and our common stock could decrease significantly.

Future sales of debentures or shares of common stock, or issuance of stock options, may cause the market price of our common stock to decrease. Sales of substantial amounts of our common stock, including shares issued upon the conversion of the debentures, or issuances of stock options or the perception that such sales or issuances could occur, may cause prevailing market prices for our common stock to decrease. If all the debentures were converted, 12,175,549 million shares of our common stock would be issued upon conversion, which would represent approximately 22% of our common stock outstanding on February 25, 2004, on a pro forma basis, giving effect to such conversion.

If one or more ratings agencies reduces its ratings of the debentures, the market price of the debentures and our common stock could decline. In connection with our private placement of the debentures on July 8, 2003, Moody's Investors Service assigned a Ba3 rating to the debentures and Standard & Poor's Ratings Services assigned a B+ rating to the debentures. On April 19, 2004, Standard & Poor's lowered its rating on the debentures to B from B+. This ratings reduction, and any reductions by one or more rating agencies in the future, could cause the market price of the debentures and our common stock to decrease.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or SEC, under the Securities Exchange Act of 1934. You may read and copy this information at the SEC's Public Reference Section, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains a Web site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers, such as CDT, that file electronically with the SEC.

In addition, our common stock is traded on the New York Stock Exchange under the symbol **CDT** and reports, proxy and information statements and other information about us can be inspected at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

You may request a copy of these filings at no cost, by writing or calling us at the following address and telephone number:

Cable Design Technologies Corporation
1901 North Roselle Road
Schaumburg, IL 60195

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Attention: Charles B. Fromm, Vice President,
Secretary and General Counsel
Telephone: (847) 230-1900
WorldwideWeb Address: www.cdtc.com

Exhibits to the filings will not be sent unless those exhibits have specifically been incorporated by reference in this prospectus.

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INCORPORATION BY REFERENCE

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any such information superseded by information contained directly in this prospectus. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until this offering is finished.

- (a) Our Annual Report on Form 10-K for the fiscal year ended July 31, 2003.
- (b) Our Quarterly Report on Form 10-Q for the quarter ended October 31, 2003.
- (c) Our Quarterly Report on Form 10-Q for the quarter ended January 31, 2004.
- (d) Our Quarterly Report on Form 10-Q/A for the quarter ended January 31, 2004 filed April 27, 2004.
- (e) Our Form 8-K filed February 5, 2004.
- (f) Our Form 8-K filed March 15, 2004.
- (g) Our Form 8-K/A filed April 27, 2004.

Statements contained in documents incorporated or deemed to be incorporated by reference after the date of this prospectus will modify statements in any other subsequently filed documents to the extent the new information differs from the old information. Any statements modified or superseded will no longer constitute a part of this prospectus in their original form.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements, or statements that are based on current expectations, estimates, and projections rather than historical facts. You can identify these forward-looking statements by our use of the words believes, anticipates, plans, expects, may, will, would, intends, estimates, and similar expressions, whether stated in the negative or affirmative. We offer these forward-looking statements in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may prove, in hindsight, to have been inaccurate because of risks and uncertainties that are difficult to predict. Many of the risks and uncertainties that we face are included under the caption Risk Factors in this prospectus and in our Form 8-K originally filed March 15, 2004 and amended on April 27, 2004.

You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale by any selling securityholder of the debentures or the shares of our common stock issuable upon conversion of the debentures.

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The following table sets forth the ratio of earnings to fixed charges for Cable Design Technologies and its subsidiaries on a consolidated basis for each of the periods indicated. We calculated the ratio of earnings to fixed charges by dividing earnings by total fixed charges. Earnings consist of pretax income from continuing operations before adjustment for minority interest plus fixed charges and amortization of capitalized interest less interest capitalized. Fixed charges consist of interest incurred on all indebtedness (including amortization of deferred debt issuance costs) and a portion of rent expense which we estimated to be the interest implicit in those rentals.

Year Ended July 31,					Six Months Ended January 31,
1999	2000	2001	2002	2003	2004
4.02x	6.41x	4.37x	2.05x	⁽¹⁾	1.40x

⁽¹⁾ For the year ended July 31, 2003, fixed charges exceeded earnings by approximately \$1.1 million.

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NYSE under the symbol CDT. The following table sets forth, for the fiscal periods indicated, the high and low sales prices for our common stock, as adjusted to give effect to all stock splits to date.

	<u>High</u>	<u>Low</u>
<u>Fiscal Year Ended July 31, 2002</u>		
First Quarter	\$ 15.80	\$ 10.45
Second Quarter	15.27	12.14
Third Quarter	13.56	11.46
Fourth Quarter	13.74	6.25
<u>Fiscal Year Ended July 31, 2003</u>		
First Quarter	\$ 7.17	\$ 4.40
Second Quarter	8.69	4.86
Third Quarter	7.13	4.27
Fourth Quarter	8.41	5.76
<u>Fiscal Year Ending July 31, 2004</u>		
First Quarter	\$ 9.89	\$ 5.60
Second Quarter	\$ 11.20	\$ 8.55
Third Quarter (through April 23, 2004)	\$ 10.63	\$ 8.42

On April 23, 2004 the last reported sales price of our common stock on the NYSE was \$9.20 per share. As of February 25, 2004, there were 42,031,962 shares of our common stock outstanding held by approximately 7,700 holders of record.

DIVIDEND POLICY

Our policy is to retain our earnings to finance the growth and development of our business and we do not anticipate declaring or paying dividends on our common stock in the foreseeable future. Any future declaration or payment of dividends on our common stock is within the discretion of our board of directors and will depend upon various factors, including our capital requirements, operating results and financial condition from time to time, as well as any restrictions contained in any agreements we may enter into with our lenders in the future.

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DESCRIPTION OF THE DEBENTURES

The debentures were issued under an indenture, dated as of July 8, 2003, among us, and U.S. Bank N.A., as trustee (the trustee). A copy of the indenture may be obtained from us upon written request. The statements under this caption relating to the indenture and the debentures are summaries and do not purport to be complete. These summaries make use of a number of terms defined in the indenture and are qualified in their entirety by express reference to the indenture. The terms of the debentures will also include those made a part of the indenture by reference to the Trust Indenture Act of 1939. For purposes of this section, the terms we, us and our mean only Cable Design Technologies Corporation and not its subsidiaries.

General

The debentures are our general unsecured subordinated obligations limited to an aggregate principal amount of \$110,000,000. The debentures bear interest from the closing date of the private placement of the debentures (July 8, 2003) at an initial rate of 4.00% per annum and will mature on July 15, 2023 unless earlier redeemed at our option, converted into our common stock at the option of the holder or purchased by us at the option of the holder.

We pay interest on the debentures semi-annually in arrears on January 15 and July 15 of each year, to the registered holders of record on the preceding December 31 and June 30, respectively. Such interest is calculated on the basis of a 360-day year of twelve 30-day months.

The indenture does not contain any restrictions on the payment of dividends or the repurchase of our securities or any financial covenants. The indenture contains no covenants or other provisions to afford protection to holders of debentures in the event of a highly leveraged transaction or a change of control of us except to the extent described under Purchase at Option of Holder Upon a Change of Control.

See Book-Entry Delivery and Form for information regarding the form, documents and mechanics for transferring the debentures.

Conversion Rights

General

Holders may surrender debentures at any time for conversion into shares of our common stock at an initial conversion price of \$9.0345 per share of common stock (subject to adjustment as described below) if one of the following conditions is satisfied:

if the closing sale price of our common stock for at least 20 trading days in the 30 trading day period ending on the trading day prior to the date of surrender is at least 110% of the conversion price per share of our common stock on such preceding trading day;

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if the senior implied rating assigned to us by Moody's Investor Service, Inc. is downgraded to B2 or below and the corporate credit rating assigned to us by Standard & Poor's is downgraded to B or below;

if we have called the debentures for redemption; or

upon the occurrence of specified corporate transactions.

We describe each of these conditions in greater detail below.

Conversion Upon Satisfaction of Closing Sale Price Condition

Holders may surrender debentures for conversion into shares of our common stock if the closing sale price of our common stock (as defined below) for at least 20 trading days in a period of 30 consecutive trading days ending on the trading day prior to the date of surrender is at least 110% of the conversion price per share of our common stock on such preceding trading day.

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The closing sale price of our common stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date as reported in composite transactions for the principal United States securities exchange on which our common stock is traded (currently the New York Stock Exchange) or, if our common stock is not listed on a United States national or regional securities exchange, as reported by the Nasdaq National Market.

The conversion price per share of our common stock as of any day equals the quotient of the principal amount of a debenture divided by the number of shares of our common stock issuable upon conversion of such debenture on that day.

The conversion agent (which currently is the trustee) will, on our behalf, determine daily if the debentures are convertible as a result of the closing sale price of our common stock and will notify us and the trustee accordingly.

Conversion Upon a Ratings Downgrade

If at any time the senior implied rating assigned to us by Moody's Investor Service, Inc. is downgraded to B2 or below and the corporate credit rating assigned to us by Standard & Poor's is downgraded to B or below, then, so long as such downgrades are in effect, holders may surrender their debentures for conversion into our common stock. On April 19, 2004, Standard & Poor's lowered its BB corporate credit rating on us to BB-, and lowered our subordinated debt rating on the debentures to B from B+.

Conversion Upon Notice of Redemption

A holder may surrender for conversion a debenture called for redemption at any time prior to the close of business on the business day prior to the redemption date, even if it is not otherwise convertible at such time. If a holder has already delivered a purchase notice with respect to a debenture, however, the holder may not surrender that debenture for conversion until the holder has withdrawn the notice in accordance with the indenture.

Conversion Upon Specified Corporate Transactions

Even if the closing sale price contingency described above under Conversion Upon Satisfaction of Closing Sale Price Condition has not occurred, if we elect to distribute to all holders of our common stock:

certain rights or warrants entitling them to subscribe for or purchase our common stock at less than the then current market price for the common stock; or

cash or debt securities, which distribution has a per share value exceeding 10% of the market price of our common stock as of the trading day immediately preceding the declaration date for such distribution,

we must notify the holders of debentures at least 15 days prior to the record date for such distribution. Once we have given such notice, holders may surrender their debentures for conversion at any time until the earlier of the close of business on the business day prior to the record date or our announcement that such distribution will not take place.

In addition, if we are party to a consolidation, merger or transfer or lease of all or substantially all of our assets pursuant to which our common stock would be converted into cash, securities or other assets, a holder may surrender debentures for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until 15 days after the actual date of such transaction. If we are a party to a consolidation, merger or transfer or lease of all or substantially all of our assets pursuant to which our common

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stock is converted into cash, securities or other assets, then at the effective time of the transaction, the right to convert a debenture into our common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its debenture immediately prior to the transaction (assuming, in a case in which our shareholders may exercise rights of election, that a holder of debentures would not have exercised any rights of election as to the stock, other securities or other property or assets receivable in connection therewith and received per share the kind and amount received per share by a plurality of nonelecting shares). If the transaction also constitutes a change of control, as defined below, the holder can require us to purchase all or a portion of its debentures as described under Purchase at Option of Holder Upon a Change of Control.

Conversion Price and Delivery of Our Common Shares

The initial conversion price is \$9.0345 per share of our common stock, subject to adjustment upon the occurrence of certain events described below. This is equivalent to an initial conversion rate of 110.6868 shares of our common stock per \$1,000 principal amount of debentures. A holder of a debenture otherwise entitled to a fractional share will receive cash equal to the then-current market value of such fractional share. We will not issue fractional shares of common stock on a conversion. No payment or adjustment will be made for accrued and unpaid interest on a converted debenture or for dividends or distributions on any of our common stock issued upon conversion of a debenture. Our delivery to the holder of the fixed number of shares of our common stock into which the debenture is converted, together with any cash payment for fractional shares, will be deemed to satisfy our obligation to pay the principal amount of the debenture and the accrued and unpaid interest attributable to the period from the issue date to the conversion date. As a result, the principal amount of the debenture and accrued and unpaid interest thereon will be deemed to be paid in full rather than canceled, extinguished or forfeited.

If a holder surrenders debentures for conversion during the period after any interest record date and prior to the corresponding interest payment date, the holder must pay us the interest payable on those debentures, unless they have been called for redemption on a redemption date within the period or on the interest payment date. The holder may not convert debentures called for redemption after the close of business on the business day preceding the date fixed for redemption, unless we default in payment of the redemption price.

We will adjust the conversion price for: (i) dividends or distributions on shares of our common stock payable in shares of our common stock or other capital stock; (ii) subdivisions, combinations or certain reclassifications of our common stock; (iii) distributions to all holders of our common stock of certain rights entitling them to purchase shares of common stock for a period expiring within 60 days after the record date for such distribution at less than the quoted price at the time; (iv) distributions to all holders of our common stock of our assets or debt securities or certain rights to purchase our securities (excluding dividends or distributions described in (i) or (iii) above or (v) below); (v) a dividend or other distribution consisting exclusively of cash to all holders of common stock; and (vi) payment to holders of common stock in respect of a tender or exchange offer (other than an odd lot offer) by us or any of our subsidiaries for common stock at a price in excess of 110% of the current market price of our common stock on the last date tenders or exchanges may be made pursuant to such tender or exchange offers. Our Board of Directors has approved a 1 for 2 reverse stock split. If our stockholders approve such reverse stock split, the conversion price of the debentures would be adjusted to \$18.069 per share of our common stock.

We will not adjust the conversion price, however, in certain circumstances, if holders of debentures are to participate in the transaction without conversion.

No adjustment in the conversion price will be required unless such adjustment would require a change of at least 1% in the conversion price then in effect; provided that any adjustment that would otherwise be required to be made will be carried forward and taken into account in any subsequent adjustment. From time to time, we may voluntarily decrease the conversion price for a period of at least 20 days to encourage holders to convert, which would allow us to reduce our future interest costs. We will deliver written notice to each holder of debentures at least 15 days prior to the date any reduced conversion price takes effect. Such notice shall state the reduced conversion price and the period of time

during which it shall remain in effect.

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In the event that we are a party to a merger, consolidation or transfer or lease of all or substantially all of our assets pursuant to which our common stock would be converted into cash, securities or other assets, each debenture would become convertible into the cash, securities or other property receivable by a holder of the number of shares of our common stock into which such debenture was convertible immediately prior to such transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the debentures in the future. For example, if we were acquired in a cash merger, each debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on our future prospects and other factors.

We have issued rights to all of our holders of common stock pursuant to our Rights Plan described under [Description of Capital Stock](#) [Rights Plan](#). If any holder converts debentures, either prior to or following the time at which the rights begin trading separately from the common stock, the holder will be entitled to receive rights in addition to the common stock.

Holders of the debentures may, in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend in the event of adjustments to (or failure to make adjustments to) the conversion price. See [United States Federal Income Tax Consequences](#) [U.S. Holders](#) [Conversion Price Adjustment](#).

The right of conversion attaching to any debenture may be exercised (a) if such debenture is represented by a global debenture, by book-entry transfer to the conversion agent through the facilities of DTC, or (b) if such debenture is represented by a certificated debenture, by delivery of such debenture at the specified office of the conversion agent, accompanied, in either case, by a duly signed and completed notice of conversion and appropriate endorsements and transfer documents if required by the conversion agent. The conversion date will be the date on which the debenture and all of the items required for conversion shall have been so delivered and one or more of the conditions for conversion have been met. See [Description of the Debentures](#) [Conversion Rights](#) [General](#). A holder delivering a debenture for conversion will be required to pay any taxes or duties payable in respect of the issue or delivery of our common stock upon conversion in a name other than that of the holder.

A certificate for the number of full shares of our common stock into which any debenture is converted, together with any cash payment for fractional shares, will be delivered through the conversion agent as soon as practicable following the conversion date. For a discussion of the United States federal income tax treatment of a holder receiving shares of our common stock upon conversion, see [United States Federal Income Tax Consequences](#) [U.S. Holders](#) [Conversion for Common Stock](#).

Subordination of Debentures

The indebtedness evidenced by the debentures is subordinated to the extent provided in the indenture to the prior payment in full, in cash or other payment satisfactory to holders of senior indebtedness, of all senior indebtedness.

Upon any distribution of our assets upon any dissolution, winding-up, liquidation or reorganization, or in bankruptcy, insolvency, receivership or similar proceedings, payment on the principal of and interest on the debentures will be subordinated in right of payment to the prior payment in full, in cash or other payment satisfactory to holders of senior indebtedness, of all senior indebtedness.

In the event of any acceleration of the debentures because of an event of default, the holders of any senior indebtedness then outstanding would be entitled to payment in full, in cash or other payment satisfactory to holders of senior indebtedness, of all obligations with respect to such senior indebtedness before the holders of the debentures are entitled to receive any payment or other distribution. We are required to promptly

notify holders of senior indebtedness if payment of the debentures is accelerated because of an event of default.

We may not make any payment on the debentures or otherwise acquire the debentures if:

a default in the payment of designated senior indebtedness occurs and is continuing beyond any applicable grace period, or

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any other default occurs and is continuing with respect to designated senior indebtedness that permits holders of designated senior indebtedness to accelerate its maturity and the indenture trustee receives a notice of such default, which is referred to herein as a payment blockage notice, from any person permitted to give this notice under the indenture.

We are required to resume payments on the debentures:

in the case of a payment default, when the default is cured or waived or ceases to exist, and

in the case of a nonpayment default, upon the earlier of (1) when the default is cured or waived or ceases to exist and (2) 179 days after receipt of the payment blockage notice.

No new period of payment blockage may be commenced pursuant to a payment blockage notice unless and until 365 days have elapsed since the indenture trustee's receipt of the prior payment blockage notice.

No default that existed on the date of delivery of any payment blockage notice to the indenture trustee shall be the basis for a subsequent payment blockage notice.

By reason of the subordination provisions described above, in the event of our bankruptcy, dissolution or reorganization, holders of senior indebtedness may receive more, ratably, and holders of the debentures may receive less, ratably, than our other creditors. These subordination provisions will not prevent the occurrence of any event of default under the indenture. The indenture does not limit our ability to incur additional indebtedness, including senior indebtedness. The incurrence of significant amounts of additional debt could adversely affect our ability to service our debt, including the debentures.

A significant portion of our operations is conducted through subsidiaries. As a result, our cash flow and our ability to service debt, including the debentures, is dependent upon the earnings of our subsidiaries. In addition, we are dependent on the distribution of earnings, loans or other payments by our subsidiaries.

Our subsidiaries are separate and distinct legal entities from us. Our subsidiaries have no obligation to pay any amounts due on the debentures or to provide us with funds for our respective payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon such subsidiaries' earnings.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the debentures to participate in those assets, is effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any of such subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of such subsidiaries and any indebtedness of such subsidiaries senior to that held by us.

At January 31, 2004, (i) we had approximately \$3.7 million of senior indebtedness and (ii) our subsidiaries had approximately \$99.2 million of outstanding liabilities, including the senior indebtedness referred to above, as to which the debentures are effectively subordinated.

Certain Definitions

The term *designated senior indebtedness*, as to any person, means any senior indebtedness that expressly provides that such senior indebtedness is *designated senior indebtedness* for purposes of the indenture.

The term *indebtedness*, as to any person, means, without duplication:

(1) all of such person's obligations for borrowed money or for the deferred purchase price of property or services, and including, without limitation, the face amount available to be drawn under all letters of

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credit, reimbursement and similar obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured;

(2) all of such person's obligations evidenced by notes, bonds, debentures or similar instruments;

(3) all of such person's obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);

(4) all of such person's obligations under leases with respect to which such person is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with generally accepted accounting principles;

(5) all of such person's obligations, contingent or otherwise, with respect to any indebtedness of another person, if the purpose or intent thereof by such person is to provide assurance to the obligee of such indebtedness that such indebtedness will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such indebtedness will be protected (in whole or in part) against loss in respect thereof;

(6) all of such person's obligations under interest rate swap, cap or collar agreements, foreign exchange contracts, currency swap agreements and other agreements or arrangements entered into in the ordinary course of business and consistent with past practices designed to protect such person against fluctuations in interest rates or currency exchange rates; and

(7) all indebtedness referred to in clauses (1), (2), (3), (4) or (5) above secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any pledge, mortgage, security interest, hypothecation, assignment for security interest or encumbrance of any kind upon or in property (including, without limitation, accounts and contracts rights) owned by such person, even though such person has not assumed or become liable for the payment of such indebtedness;

provided, however, that indebtedness does not include current accounts payable of such person arising in the ordinary course of business.

The term "senior indebtedness," as to any person, means the principal, premium, if any, interest, including any interest accruing after bankruptcy, rent and all fees, costs, expenses and other amounts due on indebtedness, whether created, incurred, assumed, guaranteed or in effect guaranteed by such person, including all deferrals, renewals, extensions, refundings, amendments, modifications or supplements to the above. Senior indebtedness does not include:

(1) indebtedness that expressly provides that it shall not be senior in right of payment to the debentures or expressly provides that it is on the same basis or junior to the debentures;

(2) indebtedness to any of its majority-owned subsidiaries or to any other affiliate of ours or any obligation for federal, state, local or other taxes; and

(3) the debentures.

Maturity; Redemption of Debentures at Our Option Prior to Maturity

We must repay the debentures at their stated maturity on July 15, 2023, at a price equal to 100% of the principal amount plus accrued and unpaid interest up to but not including the stated maturity, unless earlier redeemed by us, purchased by us at your option, or converted. Beginning on July 21, 2008, we may redeem the debentures at our option, in whole at any time, or in part from time to time for cash at a redemption price equal to 100% of the principal amount of the debentures plus accrued and unpaid interest up to but not including the date of redemption. We will give not less than 15 days nor more than 60 days notice of redemption by mail to holders of debentures.

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Holders may convert debentures or portions of debentures called for redemption even if the closing sale price contingency described under Conversion Rights has not occurred, until the close of business on the business day prior to the redemption date.

If we redeem less than all of the outstanding debentures, the trustee will select the debentures to be redeemed on a pro rata basis in principal amounts of \$1,000 or integral multiples of \$1,000. If a portion of a holder's debentures is selected for partial redemption and the holder converts a portion of the debentures, the converted portion will be deemed to be the portion selected for redemption.

Purchase of Debentures at the Option of the Holder

On July 15, 2008, July 15, 2013 and July 15, 2018, each holder may require us to purchase any outstanding debentures for which such holder has properly delivered and not withdrawn a written purchase notice, subject to certain additional conditions. Holders may submit their debentures for purchase to the paying agent (which will initially be the trustee) at any time from the opening of business on the date that is 20 business days prior to the purchase date until the close of business on the fifth business day prior to the purchase date.

We will purchase each outstanding debenture for which such holder has properly delivered and not withdrawn a written purchase notice at a purchase price equal to 100% of the principal amount of such debenture, together with accrued and unpaid interest up to but not including the purchase date.

If the purchase date is on or after an interest record date but on or prior to the related interest payment date, interest will be paid to the record holder on the relevant record date.

We may, at our option, elect to pay the purchase price in cash or shares of our common stock valued at the market price or any combination thereof. See Election to Pay Purchase Price in Shares of Our Common Stock.

For a discussion of the tax treatment of a holder electing to cause us to purchase the debentures, see United States Federal Income Tax Consequences U.S. Holders Redemption Options.

Required Notices and Procedure

On a date not less than 20 business days prior to each purchase date, we will be required to give notice to all holders at their addresses shown in the register of the registrar (which will initially be the trustee), and to beneficial owners as required by applicable law, stating, among other things:

the purchase price per \$1,000 principal amount of debentures;

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whether we will pay the purchase price for the debentures in cash, common stock or any combination thereof, specifying the applicable percentages of each;

if we elect to pay in common stock, the method for calculating the market price of our common stock; and

the procedures that holders must follow to require us to purchase their debentures.

Simultaneously with our notice of purchase, we will disseminate a press release containing this information through any two of the following three news services: Reuters Economic Services, Bloomberg Business News and Dow Jones & Company Inc. We will also publish this information on our Web site (www.cdtc.com) or through such other public medium as we may use at that time.

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The purchase notice given by each holder electing to require us to purchase debentures must be given so as to be received by the paying agent no later than the close of business on the fifth business day prior to the purchase date and must state:

the certificate numbers of the holder's debentures to be delivered for purchase or, if such debentures are not in certificated form, appropriate depository procedures;

the aggregate principal amount of debentures to be purchased;

that the debentures are to be purchased by us pursuant to the applicable provisions of the debentures; and

if we elect, pursuant to the notice we are required to give, to pay any or all of the purchase price in shares of our common stock, but instead must pay the purchase price entirely in cash because one or more of the conditions to payment of any or all of the purchase price in our common stock (described below in "Election to Pay Purchase Price in Shares of Our Common Stock") is not satisfied prior to the close of business on the purchase date, whether such holder elects:

- (1) to withdraw the purchase notice as to some or all of the debentures to which it relates, stating the principal amount and certificate numbers of the debentures as to which such withdrawal shall relate; or
- (2) to receive cash in such event in respect of the entire purchase price for all debentures or portions of debentures subject to such purchase notice.

If the holder fails to indicate in the purchase notice and in any written notice of withdrawal, a choice with respect to the election described in the final bullet point above, the holder will be deemed to have elected to receive cash in respect of the entire purchase price for all debentures subject to the purchase notice in these circumstances.