

Coleman Cable, Inc.
Form 10-Q
August 05, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

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

For the transition period from to

Commission File Number 001-33337

COLEMAN CABLE, INC.

(Exact Name of Registrant as Specified in its Charter)

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Delaware **36-4410887**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
1530 Shields Drive, Waukegan, Illinois 60085

(Address of Principal Executive Offices)

(847) 672-2300

(Registrant's Telephone Number, including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Web Site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common shares outstanding as of August 4, 2011: 17,531,221

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Thousands, except per share data)

(unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|------------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| NET SALES | \$ 219,850 | \$ 174,011 | \$ 425,651 | \$ 329,991 |
| COST OF GOODS SOLD | 187,609 | 148,015 | 363,384 | 281,156 |
| GROSS PROFIT | 32,241 | 25,996 | 62,267 | 48,835 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 17,642 | 11,852 | 31,494 | 23,059 |
| INTANGIBLE ASSET AMORTIZATION | 1,749 | 1,606 | 3,332 | 3,623 |
| RESTRUCTURING CHARGES | 195 | 436 | 195 | 1,324 |
| OPERATING INCOME | 12,655 | 12,102 | 27,246 | 20,829 |
| INTEREST EXPENSE | 7,126 | 6,970 | 14,098 | 13,502 |
| LOSS ON EXTINGUISHMENT OF DEBT | | | | 8,566 |
| GAIN ON AVAILABLE FOR SALE SECURITIES | (753) | | (753) | |
| OTHER (INCOME) LOSS, NET | 45 | 241 | (86) | 114 |
| INCOME (LOSS) BEFORE INCOME TAXES | 6,237 | 4,891 | 13,987 | (1,353) |
| INCOME TAX EXPENSE (BENEFIT) | 1,861 | 1,776 | 4,384 | (638) |
| NET INCOME (LOSS) | \$ 4,376 | \$ 3,115 | \$ 9,603 | \$ (715) |
| EARNINGS (LOSS) PER COMMON SHARE DATA | | | | |
| NET INCOME (LOSS) PER SHARE: | | | | |
| Basic | \$ 0.25 | \$ 0.18 | \$ 0.55 | \$ (0.04) |
| Diluted | 0.25 | 0.18 | 0.55 | (0.04) |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic | 17,131 | 16,939 | 17,105 | 16,918 |
| Diluted | 17,374 | 17,009 | 17,311 | 16,918 |

See notes to condensed consolidated financial statements.

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands, except per share data)

(unaudited)

| | June 30, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 5,701 | \$ 33,454 |
| Accounts receivable, net of allowances of \$2,476 and \$2,491, respectively | 132,211 | 110,774 |
| Inventories | 118,531 | 81,130 |
| Deferred income taxes | 3,835 | 3,171 |
| Assets held for sale | 546 | 546 |
| Prepaid expenses and other current assets | 4,701 | 3,761 |
| Total current assets | 265,525 | 232,836 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 54,713 | 45,731 |
| GOODWILL | 56,908 | 29,134 |
| INTANGIBLE ASSETS, NET | 31,912 | 23,764 |
| DEFERRED INCOME TAXES | 429 | 301 |
| OTHER ASSETS | 7,306 | 9,345 |
| TOTAL ASSETS | \$ 416,793 | \$ 341,111 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES: | | |
| Current portion of long-term debt | \$ 4 | \$ 7 |
| Accounts payable | 34,065 | 22,016 |
| Accrued liabilities | 31,888 | 30,193 |
| Total current liabilities | 65,957 | 52,216 |
| LONG-TERM DEBT | 322,408 | 271,820 |
| OTHER LONG-TERM LIABILITIES | 3,306 | 4,258 |
| DEFERRED INCOME TAXES | 3,044 | 1,595 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS EQUITY: | | |
| Common stock, par value \$0.001; 75,000 authorized; 17,132 and 16,939 issued and outstanding on June 30, 2011 and December 31, 2010 | 17 | 17 |
| Additional paid-in capital | 91,423 | 90,483 |
| Accumulated deficit | (69,657) | (79,260) |
| Accumulated other comprehensive income (loss) | 295 | (18) |
| Total shareholders equity | 22,078 | 11,222 |
| TOTAL LIABILITIES AND EQUITY | \$ 416,793 | \$ 341,111 |

See notes to condensed consolidated financial statements.

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands)

(unaudited)

| | Six Months Ended June 30, | |
|--|---------------------------|------------------|
| | 2011 | 2010 |
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 9,603 | \$ (715) |
| Adjustments to reconcile net income (loss) to net cash flow from operating activities: | | |
| Depreciation and amortization | 9,952 | 10,223 |
| Stock-based compensation | 3,519 | 1,084 |
| Foreign currency transaction (gain) loss | (86) | 114 |
| Gain on available for sale securities | (753) | |
| Loss on extinguishment of debt | | 8,566 |
| Deferred taxes | (2,577) | (657) |
| (Gain) loss on disposal of fixed assets | (5) | 476 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (15,388) | (12,181) |
| Inventories | (23,856) | (19,341) |
| Prepaid expenses and other assets | 546 | (3,268) |
| Accounts payable | 8,421 | 4,834 |
| Accrued liabilities | (4,095) | 3,492 |
| Net cash flow from operating activities | (14,719) | (7,373) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Capital expenditures | (5,054) | (2,955) |
| Purchases of investments | | (1,280) |
| Proceeds from sale of fixed assets | 8 | 39 |
| Acquisition of businesses, net of cash acquired | (58,681) | |
| Net cash flow from investing activities | (63,727) | (4,196) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Borrowing under revolving loan facility | 89,560 | 34,696 |
| Repayments under revolving loan facility | (39,196) | (44,935) |
| Payment of deferred financing fees | (49) | (6,607) |
| Repayment of long-term debt | (4) | (231,651) |
| Proceeds from option exercises | 67 | |
| Proceeds from the issuance of 2018 Senior Notes | | 271,911 |
| Net cash flow from financing activities | 50,378 | 23,414 |
| Effect of exchange rate changes on cash and cash equivalents | 315 | 22 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (27,753) | 11,867 |
| CASH AND CASH EQUIVALENTS Beginning of period | 33,454 | 7,599 |
| CASH AND CASH EQUIVALENTS End of period | \$ 5,701 | \$ 19,466 |
| NONCASH ACTIVITY | | |
| Unpaid capital expenditures | 1,502 | 149 |
| Unpaid business acquisition consideration | 542 | |

SUPPLEMENTAL CASH FLOW INFORMATION

| | | |
|------------------------|--------|-------|
| Income taxes paid, net | 5,880 | 819 |
| Cash interest paid | 13,090 | 8,468 |

See notes to condensed consolidated financial statements.

COLEMAN CABLE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Thousands, except per share data)

(unaudited)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements include Coleman Cable, Inc. and all of its subsidiaries (the Company, Coleman, we, us, or our). The condensed consolidated financial statements included herein are unaudited. The preparation of the condensed consolidated financial statements is in conformity with the rules and regulations of the Securities and Exchange Commission (the SEC) and in accordance with United States (U.S.) generally accepted accounting principles (GAAP) for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules or regulations. The condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation in conformity with GAAP. All amounts are in thousands, unless otherwise indicated. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended December 31, 2010. The results of operations for the interim periods should not be considered indicative of results to be expected for the full year.

Condensed Consolidated Statements of Cash Flows

The Company has corrected the presentation of borrowings and repayments on its revolving credit facility for 2010 within the condensed consolidated statement of cash flows. Related amounts had previously been presented on a net basis, rather than on a gross basis in accordance with accounting guidance. The correction had no effect on net cash provided by financing activities.

2. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update No. 2010-28 Intangibles Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (ASU No. 2010-28)

ASU No. 2010-28 affects all entities that have recognized goodwill and have one or more reporting units whose carrying amount for purposes of performing Step 1 of the goodwill impairment test is zero or negative. The amendments in this update modify Step 1 so that for those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The accounting update is effective for a reporting entity's first annual reporting period that begins after December 2010, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. This update, which was effective for the first quarter of 2011, did not have a significant impact on our financial statements.

Accounting Standards Update No. 2010-29 Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (ASU No. 2010-29)

ASU No. 2010-29 amends existing guidance for presenting pro forma results of business combinations. The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The accounting update is effective for a reporting entity's business combinations occurring beginning on or after the entity's first annual reporting period after December 15, 2010. The Company has applied the provisions of this update for all material business combinations that occurred after January 1, 2011.

Accounting Standards Update No. 2011-04 Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU No. 2011-04)

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ASU No. 2011-04 generally provides a uniform framework for fair value measurements and related disclosures between GAAP and International Financial Reporting Standards (IFRS). Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. ASU 2011-04 will be effective for interim and annual periods beginning on or after December 15, 2011. We are currently evaluating the impact ASU 2011-04 will have on our financial statements but do not expect it to have a material impact on the Company's results of operations, financial position and cash flows.

Accounting Standards Update No. 2011-05 – Comprehensive Income (Topic 220): Presentation of Comprehensive Income (ASU No. 2011-05)

ASU No. 2011-05 amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. Also, items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements. ASU No. 2011-05 requires retrospective application, and it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We believe the adoption of this update will change the order in which certain financial statements are presented and provide additional detail on those financial statements when applicable, but will not have any other impact on our financial statements.

3. ACQUISITIONS

During the second quarter of 2011, we utilized cash on hand, as well as borrowings under our Senior Secured Revolving Credit Facility (Revolving Credit Facility), to complete three business combination transactions (collectively, the 2011 Acquisitions), as set forth below. Each of these 2011 Acquisitions was structured as an all-cash transaction, with collective consideration totaling \$69,733. As further discussed below, we believe these acquisitions represent significant opportunities for us, including the strengthening and greater diversification of our overall portfolio.

The 2011 Acquisitions are included in our condensed consolidated financial statements, including our results of operations, beginning from each respective acquisition date. Accordingly, the consolidated statement of operations for the three and six months ended June 30, 2011 includes three months of operations for the assets acquired in connection with the TDE (as defined below) acquisition, approximately two months of operations for the assets acquired in connection with the FCWC and CWC (as defined below) acquisition, and approximately six weeks of operations related to TRC (as defined below). The consolidated statement of operations for the three and six months ended June 30, 2010 does not include the impact of the 2011 Acquisitions.

We incurred acquisition-related costs, including outside legal, consulting and other fees, of \$1,677 and \$2,578 for the three and six months ended June 30, 2011, respectively. These costs have been recorded as a component of selling, general and administrative expenses in our condensed consolidated statement of operations.

Acquisition of the Assets of The Designers Edge (TDE)

On April 1, 2011, we acquired the assets of TDE, a leading designer and distributor of specialty lighting products in the U.S. and Canada, with 2010 sales in excess of \$20,000. The total purchase price for the assets acquired, primarily trade receivables and merchandise inventories, was \$10,925, subject to certain purchase price adjustments. The acquisition of TDE assets significantly expands our current product portfolio across a wide range of lighting product categories, including industrial, work and utility, as well as products for security and landscape applications. We fully integrated the assets of TDE into our existing operations during the second quarter of 2011.

Acquisition of the Assets of First Capitol Wire and Cable (FCWC) and Continental Wire and Cable (CWC)

On April 29, 2011, we acquired the assets of FCWC and CWC, both of which were privately-held entities based in York, Pennsylvania, with CWC being a 100%-owned subsidiary of FCWC. These two entities, which had annual combined sales in excess of \$10,000, are leading manufacturers of industrial wire and cable products used across a number of commercial, utility and industrial end-markets. The total purchase price for the assets acquired, primarily merchandise inventories and production equipment, was \$7,298 million, inclusive of working capital adjustments of \$834. The acquisition of the assets of FCWC and CWC has allowed us to expand our capabilities, product offerings and capacity for producing a wide assortment of high-quality industrial cables. We fully integrated the assets of FCWC and CWC into our operations during the second quarter of 2011.

Acquisition of Technology Research Corporation (TRC)

On May 16, 2011, we completed the acquisition of 100% of the outstanding stock of TRC pursuant to a merger agreement under which each outstanding share of TRC common stock was converted into the right to \$7.20 per share payable in cash. For its fiscal year ended March 31, 2011, TRC had revenues of \$35,982 and net income of \$1,545. TRC is a recognized leader in providing cost effective engineered solutions for applications involving power management and control, intelligent battery systems technology and electrical safety products based on proven ground fault sensing and *Fire Shield*[®] technology. These products are designed, manufactured and distributed to the consumer, commercial and industrial markets worldwide. TRC also supplies power monitors and control equipment to the United States military and its prime contractors. We believe the TRC acquisition both strengthens and diversifies our overall portfolio. TRC was publicly traded on the NASDAQ prior to its acquisition by Coleman. We completed the TRC acquisition as the result of a successful public tender offer to acquire all outstanding shares of TRC. The total purchase price consideration for TRC was \$51,510, including the acquisition-date fair value of an approximate 4.8% interest in TRC acquired by Coleman prior to entering its acquisition proposal with respect to TRC.

TRC will maintain its current production facilities in Clearwater, FL, Titusville, FL, and Honduras and is reported herein as a separate reportable segment.

Gain on Available For Sale Securities

As noted above, our pre-existing 4.8% interest in TRC was accounted for as a component of the overall purchase price for TRC. Accordingly, using the tender offer price of \$7.20 per share, the value of this component of total consideration was \$2,331, with the difference between this calculated fair value and our cost basis in the 4.8% pre-existing interest recognized as a \$753 gain in our condensed consolidated statement of income at the time of the acquisition in accordance with the applicable accounting rules.

Purchase Price Allocations

The 2011 Acquisitions were accounted for under the purchase method of accounting. Accordingly, we have allocated the purchase price for each acquisition to the net assets acquired based on the related estimated fair values at each respective acquisition date. The expected long-term growth, increased market position and expected synergies to be generated from the 2011 Acquisitions are the primary factors which gave rise to acquisition prices for each of the 2011 Acquisitions which resulted in the recognition of goodwill.

The purchase price allocations have been determined provisionally, and are subject to revision as additional information about the fair value of individual assets and liabilities becomes available. The Company is in the process of obtaining or finalizing appraisals of tangible and intangible assets and is continuing to evaluate the initial purchase price allocations. Accordingly, the provisional measurement of inventories, property, plant, and equipment, intangible assets, taxes, and goodwill are subject to change. In addition, we are in the process of determining and negotiating purchase price adjustments for the TDE acquisition, which may result in a corresponding adjustment to the total TDE purchase price as well as the value of assets acquired. Any change in the acquisition date fair value of the acquired net assets will change the amount of the purchase price allocated to goodwill.

The table below summarizes the provisional allocations of purchase price related to the 2011 Acquisitions as of their respective acquisition dates.

| | TDE | FCWC and CWC | TRC |
|---|------------------|-----------------|------------------|
| Cash and cash equivalents | \$ | \$ | \$ 8,180 |
| Accounts receivable | 2,123 | | 4,073 |
| Income tax receivable | | | 1,077 |
| Inventories | 3,129 | 1,631 | 8,794 |
| Prepaid expenses and other current assets | | 44 | 314 |
| Property, plant and equipment, net | 157 | 3,687 | 4,668 |
| Other assets | | | 33 |
| Deferred income tax asset | 18 | 288 | 309 |
| Intangible assets | 2,015 | 1,195 | 8,267 |
| Goodwill | 3,483 | 701 | 23,553 |
| Total assets acquired | 10,925 | 7,546 | 59,268 |
| Current liabilities | | | (4,515) |
| Deferred income tax liability | | (248) | (3,243) |
| Total liabilities assumed | | | (7,758) |
| Net assets acquired | \$ 10,925 | \$ 7,298 | \$ 51,510 |

A total of approximately \$6,426 of goodwill is deductible for income tax purposes. Goodwill has not yet been assigned to our reporting units.

As part of the TRC acquisition, we assumed a contingent liability of TRC related to an acquisition made by TRC in March 2010. Under the terms of the March 2010 acquisition, TRC, as acquirer, is obligated to make contingent cash payments, or an earn-out payment, to the seller equal to a pre-determined percentage of total revenues within selected product categories that exceed a pre-determined threshold level for the 12-month period ended March 31, 2012. Included in our preliminary purchase price allocation for TRC, and classified as a component of current liabilities, is an accrual of \$378, which represents our best estimate of TRC's obligation under the terms of this earn-out.

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The purchase price allocation to identifiable intangible assets, which are all amortizable, along with their respective weighted-average amortization periods at the acquisition date are as follows:

| | Weighted-Average Amortization Period | TDE | FWCW and CWC | TRC |
|-----------------------------|---|--------------|-------------------------|--------------|
| Customer relationships | 6 | \$ 800 | \$ 600 | \$ 1,460 |
| Trademarks and trade names | 6 | 610 | 595 | 1,450 |
| Developed technology | 3 | 560 | | 2,000 |
| Contractual agreements | 3 | | | 2,900 |
| Non-competition agreements | 2 | 45 | | 80 |
| Backlog | 1 | | | 320 |
| Other | 6 | | | 57 |
| Total intangible assets | | \$ 2,015 | \$ 1,195 | \$ 8,267 |

Unaudited Selected Pro Forma Financial Information

The following unaudited pro forma financial information summarizes our estimated combined results of operations assuming that our only material business combination consummated during the quarter, TRC, had taken place at January 1, 2010. The unaudited pro forma combined results of operations were prepared using historical financial information of TRC, and we make no representation with respect to the accuracy of such information. The pro forma combined results of operations reflect adjustments for interest expense, depreciation adjustments based on the fair value of acquired property, plant and equipment, amortization of acquired identifiable intangible assets, income tax expense and exclude acquisition costs. The unaudited pro forma information is presented for informational purposes only and does not include any anticipated cost savings or other effects of integration, nor do they purport to be indicative of the results of operations that actually would have resulted had the acquisition of TRC occurred on the date indicated or may result in the future.

| | Three Months Ended | | Six Months Ended | |
|------------|--------------------|------------|------------------|------------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$ 223,856 | \$ 184,249 | \$ 438,795 | \$ 347,980 |
| Net income | 2,172 | 3,363 | 9,010 | (1,151) |

4. RESTRUCTURING ACTIVITIES

We incurred restructuring costs of \$195 for the second quarter and first half of 2011. These expenses were primarily comprised of severance costs at TRC. Restructuring costs also included lease termination and other holding costs related to facilities closed in prior years, currently consisting of one leased and one owned facility for which we continue to pay holding costs. Our reserve was \$2,146 as of June 30, 2011, and represented our estimate of the liability existing relative to one closed property under lease and is equal to our remaining obligation under such lease reduced by estimated sublease rental income reasonably expected for the property. Accordingly, the liability may be increased or decreased in future periods as facts and circumstances change, including possible negotiation of a lease termination, sublease agreement, or changes in the related market in which the property is located. Other than TRC, restructuring expense is not segregated by reportable segment as our operating segments share common production processes and manufacturing facilities as discussed in Note 17 below.

| | Lease Termination Costs | Severance & Other Closing Costs | Total |
|---------------------------|----------------------------|------------------------------------|----------|
| BALANCE December 31, 2010 | \$ 2,383 | \$ | \$ 2,383 |
| Provision | 23 | 172 | 195 |
| Cash payments | (260) | (172) | (432) |
| BALANCE June 30, 2011 | \$ 2,146 | \$ | \$ 2,146 |

5. INVENTORIES

Inventories consisted of the following:

| | June 30, 2011 | December 31, 2010 |
|-------------------|------------------|----------------------|
| FIFO cost: | | |
| Raw materials | \$ 44,248 | \$ 28,831 |
| Work in progress | 6,393 | 2,640 |
| Finished products | 67,890 | 49,659 |
| Total | \$ 118,531 | \$ 81,130 |

6. ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

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| | June 30, 2011 | December 31, 2010 |
|---------------------------------------|--------------------------|------------------------------|
| Salaries, wages and employee benefits | \$ 6,153 | \$ 7,084 |
| Sales incentives | 6,931 | 9,092 |
| Interest | 9,622 | 9,537 |
| Other | 9,182 | 4,480 |
| Total | \$ 31,888 | \$ 30,193 |

7. DEBT

| | June 30, 2011 | December 31, 2010 |
|--|------------------|----------------------|
| Revolving Credit Facility expiring April 2012 | \$ 50,364 | \$ |
| 9% Senior Notes due February 2018, including unamortized discount of \$2,960 and \$3,185 | 272,040 | 271,815 |
| Capital lease obligations | 8 | 12 |
| | 322,412 | 271,827 |
| Less current portion | (4) | (7) |
| Long-term debt | \$ 322,408 | \$ 271,820 |

Senior Secured Revolving Credit Facility

Our Senior Secured Revolving Credit Facility (Revolving Credit Facility) provides for aggregate borrowings of up to \$200,000, subject to certain limitations as discussed below. The proceeds from the Revolving Credit Facility are available for working capital and other general corporate purposes, including merger and acquisition activity. Our Revolving Credit Facility expires April 2, 2012. At June 30, 2011, we had \$50,364 in borrowings under the facility, with \$93,391 in remaining excess availability. At December 31, 2010, we had \$0 in borrowings outstanding under the facility, with \$113,739 in remaining excess availability.

The interest rate charged on borrowings under the Revolving Credit Facility is based on our election of either the lender's prime rate plus a range of 1.25% to 1.75% or the Eurodollar rate plus a range of 2.50% to 3.00%, in each case based on quarterly average excess availability under the Revolving Credit Facility. In addition, we pay a 0.50% unused line fee pursuant to the terms of the Revolving Credit Facility for unutilized availability.

Pursuant to the terms of the Revolving Credit Facility, we are required to maintain a minimum of \$10,000 in excess availability under the facility at all times. Borrowing availability under the Revolving Credit Facility is limited to the lesser of (1) \$200,000 or (2) the sum of 85% of eligible accounts receivable, 55% of eligible inventory and an advance rate to be determined of certain appraised fixed assets, with a \$10,000 sublimit for letters of credit. Borrowing availability under the Revolving Credit Facility for foreign subsidiaries is limited to the greater of (1) the sum of 85% of the aggregate book value of accounts receivable of such foreign subsidiaries plus 60% of the aggregate book value of the inventory of such foreign subsidiaries and (2) \$25,000 (excluding permitted intercompany indebtedness of such foreign subsidiaries).

The Revolving Credit Facility is guaranteed by CCI International, Inc. (CCI International), a 100% owned domestic subsidiary, and is secured by substantially all of our assets and the assets of CCI International, including accounts receivable, inventory and any other tangible and intangible assets (including real estate, machinery and equipment, and intellectual property) as well as by a pledge of all the capital stock of CCI International and 65% of the capital stock of our Canadian foreign subsidiary, but not our Chinese 100%-owned entity.

The Revolving Credit Facility contains financial and other covenants that limit or restrict our ability to pay dividends or distributions, incur indebtedness, permit liens on property, make investments, provide guarantees, enter into mergers, acquisitions or consolidations, conduct asset sales, enter into leases or sale and lease back transactions, and enter into transactions with affiliates. In addition to maintaining a minimum of \$10,000 in excess availability under the facility at all times, the financial covenants in the Revolving Credit Facility require us to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 for any month during which our excess availability under the Revolving Credit Facility falls below \$30,000. We maintained greater than \$30,000 of monthly excess availability during 2010 and the first half of 2011.

As of June 30, 2011, we were in compliance with all of the covenants of our Revolving Credit Facility.

On August 4, 2011, we completed our renegotiation of the Revolving Credit Facility, as discussed below.

Subsequent Event

On August 4, 2011, we entered into a new \$250,000, five-year revolving credit facility agreement with an accordion feature that allows us to increase our borrowings by an additional \$50,000 (the 2016 Revolver). The 2016 Revolver, which matures on October 1, 2016, is an asset-based loan facility, with a \$20,000 Canadian facility sublimit, and which is secured by substantially all of our assets, as further detailed below. We expect to incur around \$1,500 in fees related to renegotiating the 2016 Revolver. These respective fees will be amortized over the life of the

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revolver.

The interest rate charged on borrowings under the 2016 Revolver is based on our election of either the lender's prime rate plus a range of 0.25% to 0.75% or the Eurodollar rate plus a range of 1.50% to 2.00%, in each case based on quarterly average excess availability under the 2016 Revolver. In addition, we pay an unused line fee of between 0.25% and 0.50% based on quarterly average excess availability pursuant to the terms of the 2016 Revolver.

Pursuant to the terms of the 2016 Revolver, we are required to maintain a fixed charge covenant ratio of not less than 1.0 to 1.0 for any month during which our excess availability under the 2016 Revolver is \$30,000. Borrowing availability under the Revolving Credit Facility is limited to the lesser of (1) \$250,000 or (2) the sum of 85% of eligible accounts receivable, 70% of eligible inventory, and capped at \$150,000 for the U.S. portion and \$12,000 Canadian for the Canadian portion, and an advance rate to be 75% of certain appraised real estate and 85% of certain appraised equipment, with a \$15,000 sublimit for letters of credit.

The 2016 Revolver is guaranteed by TRC (excluding TRC's 100%-owned foreign subsidiary, TRC Honduras, S.A. de C.V.) and Patco Electronics (Patco), each of which are 100%-owned domestic subsidiaries, and is secured by substantially all of our assets and the assets of both TRC and Patco, including accounts receivable, inventory and any other tangible and intangible assets (including real estate, machinery and equipment and intellectual property) as well as by a pledge of all the capital stock of TRC and Patco and 65% of the capital stock of our Canadian foreign subsidiary, but not our Chinese 100%-owned entity.

Based on securing the 2016 Revolver and the terms therein, we have classified the \$50,364 in borrowings outstanding under the Revolving Credit Facility as of June 30, 2011 as a component of long-term debt on our June 30, 2011 condensed consolidated balance sheet.

9% Senior Notes due 2018 (the Senior Notes)

Our Senior Notes were issued at a discount in 2010, resulting in proceeds of less than par value. This discount is being amortized to par value over the remaining life of the Senior Notes. As of June 30, 2011, we were in compliance with all of the covenants of our Senior Notes.

| Senior Notes | June 30, 2011 | |
|----------------------------|---|-------------------|
| Face Value | \$275,000 | |
| Fair Value | \$286,119 | |
| Interest Rate | 9% | |
| Interest Payment | Semi-Annually February 15th and August 15th | |
| Maturity Date | February 15, 2018 | |
| Guarantee | Jointly and severally guaranteed fully and conditionally by our 100% owned subsidiary, CCI International, Inc. | |
| Optional Redemption (1)(2) | <u>Beginning Date</u> | <u>Percentage</u> |
| | February 15, 2014 | 104.50% |
| | February 15, 2015 | 102.25% |
| | February 15, 2016 | 100.00% |

- (1) The Company may, at its option, redeem the Senior Notes, in whole at any time or in part from time to time, on or after the above-noted dates and at the above noted percentages of the principal amount thereof (plus interest due).
- (2) In addition, the Company may, at its option, use the net cash proceeds from a public equity offering, to redeem up to 35% of the aggregate principal amount of the Senior Notes, at a redemption price equal to 109.00% of the principal amount, plus accrued and unpaid interest, if completed before February 15, 2013.

8. EARNINGS PER SHARE

We compute earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities. Our participating securities are our grants of restricted stock, as such awards contain non-forfeitable rights to dividends. Security holders are not obligated to fund the Company's losses, and therefore, participating securities are not allocated a portion of these losses in periods where a net loss is recorded. As of June 30, 2011 and 2010, the impact of participating securities on net income allocated to common shareholders and the dilutive effect of share-based awards outstanding on weighted average shares outstanding was as follows:

| Components of Basic and Diluted Earnings (Loss) per Share | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|----------|---------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Basic EPS Numerator: | | | | |
| Net income (loss) | \$ 4,376 | \$ 3,115 | \$ 9,603 | \$ (715) |
| Less: Earnings allocated to participating securities | (71) | (73) | (156) | |
| Net income (loss) allocated to common shareholders | \$ 4,305 | \$ 3,042 | \$ 9,447 | \$ (715) |
| Basic EPS Denominator: | | | | |
| Weighted average shares outstanding | 17,131 | 16,939 | 17,105 | 16,918 |
| Basic earnings (loss) per common share | \$ 0.25 | \$ 0.18 | \$ 0.55 | \$ (0.04) |
| Diluted EPS Numerator: | | | | |
| Net income (loss) | \$ 4,376 | \$ 3,115 | \$ 9,603 | \$ (715) |
| Less: Earnings allocated to participating securities | (70) | (73) | (154) | |
| Net income (loss) allocated to common shareholders | \$ 4,306 | \$ 3,042 | \$ 9,449 | \$ (715) |
| Diluted EPS Denominator: | | | | |
| Weighted average shares outstanding | 17,131 | 16,939 | 17,105 | 16,918 |
| Dilutive common shares issuable upon exercise of stock options | 243 | 70 | 206 | |
| Diluted weighted average shares outstanding | 17,374 | 17,009 | 17,311 | 16,918 |
| Diluted earnings (loss) per common share | \$ 0.25 | \$ 0.18 | \$ 0.55 | \$ (0.04) |

Options

Options with respect to 774 common shares were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2011, respectively, because they were antidilutive. Options with respect to 1,121 and 1,408 common shares were not included in the computation of diluted earnings per share for the three and six months ended June 30, 2010, respectively, because they were antidilutive.

9. SHAREHOLDERS EQUITY**Stock-Based Compensation**

The Company has a stock-based compensation plan for its directors, executives and certain key employees under which the grant of stock options and other share-based awards is authorized. We recorded \$2,342 and \$3,519 in stock compensation expense for the three and six months ended June 30, 2011, respectively, compared to \$724 and \$1,084 for the three and six months ended June 30, 2010, respectively. The increase is a function of increased compensation expense being recorded on the cash-settled portion of our performance share awards, as further explained below.

Stock Options

No stock options were issued during the first half of 2011.

Changes in stock options were as follows:

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| | Shares | Weighted-Average Exercise Price | Weighted- Average Remaining Contractual Terms | Aggregate Intrinsic Value |
|-----------------------------|--------|---------------------------------------|---|---------------------------------|
| Outstanding January 1, 2011 | 1,408 | \$ 11.03 | 6.8 | 936 |
| Granted | | | | |
| Exercised | (9) | 5.81 | | 86 |
| Forfeited or expired | | | | |
| Outstanding June 30, 2011 | 1,399 | 11.07 | 6.3 | 5,790 |
| Vested or expected to vest | 1,382 | 11.15 | 6.3 | 5,619 |
| Exercisable | 384 | 6.30 | 7.0 | 3,162 |

Intrinsic value for stock options is defined as the difference between the current market value of the Company's common stock and the exercise price of the stock option. When the current market value is less than the exercise price, there is no aggregate intrinsic value.

Stock Awards

In January 2011, the Company awarded unvested common shares to members of its Board of Directors. In total, non-management board members were awarded 89 unvested shares with an approximate aggregate fair value of \$560. One-third of the shares vest on the first, second and third anniversary of the grant date. These awarded shares are participating securities which provide the recipient with both voting rights and, to the extent dividends, if any, are paid by the Company, non-forfeitable dividend rights with respect to such shares.

Changes in nonvested shares for the first half of 2011 were as follows:

| | Shares | Weighted-Average Grant-Date Fair Value |
|------------------------------|--------|--|
| Nonvested at January 1, 2011 | 923 | \$ 4.09 |
| Granted | 89 | 6.32 |
| Vested | (187) | 4.33 |
| Forfeited | (26) | 4.54 |
| Nonvested at June 30, 2011 | 799 | \$ 4.27 |

In the first quarter of 2010, 258 performance shares were granted, which are settled in cash rather than stock. These cash-settled shares are re-measured each balance sheet date using a Monte Carlo model and are recorded as a liability. During the current quarter, these cash-settled shares were measured using an assumption of 92.7% volatility, and a risk-free rate of 2.88%, resulting in an estimated aggregate fair value of approximately \$3,634, of which the unrecorded expense portion will be recorded as stock compensation expense over the estimated derived service period (also estimated using a Monte Carlo model), which was approximately 0.2 years as of June 30, 2011. On July 7, 2011, the first tranche of these shares reached their vesting price. Accordingly, the equivalent of 58 shares were paid in cash on the respective date.

In addition, in the first quarter of 2010, 517 performance shares were granted, which are convertible to stock, on a one-to-one basis, contingent upon future stock price performance. On July 7, 2011, the first tranche of shares reached their vesting price. As a result, 117 shares of common stock were issued on the respective date.

On August 3, 2011, our Board of Directors authorized the purchase over the next 24 months of up to 500 shares of the Company's common stock in open market or privately negotiated transactions. There can be no assurance that any share purchases will be made. The number of shares actually purchased will depend on various factors, including limitations imposed by the Company's debt instruments, the price of our common stock, overall market and business conditions, and management's assessment of competing alternatives for capital deployment.

Comprehensive Income (Loss)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income (loss) | \$ 4,376 | \$ 3,115 | \$ 9,603 | \$ (715) |
| Other comprehensive income (loss) net of tax provision (benefit): | | | | |
| Currency translation adjustment, net of tax of \$(127) and \$(3), \$(143), and \$27, respectively | 126 | (119) | 398 | 62 |
| Unrealized gains on available for sale securities (Level 1), net of tax of \$8, \$(54), \$424, and \$153, respectively | (741) | 6 | (89) | 46 |
| Pension adjustments, net of tax of \$(1), \$, \$2, and \$, respectively | (2) | | 4 | |
| Total comprehensive income (loss) | \$ 3,759 | \$ 3,002 | \$ 9,916 | \$ (607) |

10. RELATED PARTIES

We lease our corporate office facility from certain members of our Board of Directors and executive management, and we made rental payments of \$134 and \$268 for the three and six months ended June 30, 2011, respectively. We made rental payments of \$98 and \$196 for our corporate office facility for the three and six months ended June 30, 2010, respectively. In addition, we lease three manufacturing facilities from an entity

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in which one of our executive officers has a substantial minority interest, and we paid a total of \$330 and \$591 for the three and six months ended June 30, 2011, respectively. We made payments of \$326 and \$589 to these manufacturing facilities for the three and six months ended June 30, 2010, respectively.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

We lease certain of our buildings, machinery and equipment under lease agreements that expire at various dates over the next ten years. Rental expense under operating leases was \$1,596 and \$3,076 for the three and six months ended June 30, 2011, respectively, and was \$1,703 and \$3,046 for the three and six months ended June 30, 2010, respectively.

Legal Matters

We are party to one environmental claim. The Leonard Chemical Company Superfund site consists of approximately 7.1 acres of land in an industrial area located a half mile east of Catawba, York County, South Carolina. The Leonard Chemical Company operated this site until the early 1980s for recycling of waste solvents. These operations resulted in the contamination of soils and groundwater at the site with hazardous substances. In 1984, the U.S. Environmental Protection Agency (the EPA) listed this site on the National Priorities List. Riblet Products Corporation, with which the Company merged in 2000, was identified through documents as a company that sent solvents to the site for recycling and was one of the companies receiving a special notice letter from the EPA identifying it as a party potentially liable under the Comprehensive Environmental Response, Compensation, and Liability Act for cleanup of the site.

In 2004, along with other potentially responsible parties (PRPs), we entered into a Consent Decree with the EPA requiring the performance of a remedial design and remedial action (RD/RA) for this site. We have entered into a Site Participation Agreement with the other PRPs for fulfillment of the requirements of the Consent Decree. Under the Site Participation Agreement, we are responsible for 9.19% share of the costs for the RD/RA. As of June 30, 2011 and December 31, 2010, we had a \$341 and \$400 accrual, respectively, recorded for this liability.

Though no assurances are possible, we believe that our accruals related to the environmental litigation and other claims are sufficient and that these items and our rights to available insurance and indemnity will be resolved without material effect on our financial position, results of operations or cash flows.

12. DERIVATIVES

We are exposed to certain commodity price risks including fluctuations in the price of copper. From time-to-time, we enter into copper futures contracts to mitigate the potential impact of fluctuations in the price of copper on our pricing terms with certain customers. We recognize all of our derivative instruments on our balance sheet at fair value, and record changes in the fair value of such contracts within cost of goods sold in the statement of operations as they occur unless specific hedge accounting criteria are met. We had no hedge positions at June 30, 2011 to which hedge accounting was applied. Cash settlements related to derivatives are included in the operating section of the condensed consolidated statement of cash flows.

Commodity Derivatives

| | Contract Position (In Total Pounds) | | Cash Collateral Posted | Fair Value | |
|---|-------------------------------------|-------|------------------------|------------|---------------|
| | Long | Short | | Asset (2) | Liability (3) |
| Copper futures contracts outstanding as of (1): | | | | | |
| Period ended June 30, 2011 | | 625 | \$ 229 | | \$ 132 |
| Period ended June 30, 2010 | 350 | 625 | 198 | \$ 31 | |

- (1) All of our copper futures contracts mature in less than three months and are tied to the price of copper on the COMEX and, accordingly, the value of such futures contracts changes directly in relation thereto.
- (2) Balance recorded in Prepaid expenses and other current assets
- (3) Balance recorded in Accrued liabilities

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As of June 30, 2011 and 2010, no cumulative losses or gains existed in other comprehensive income (OCI). As hedge accounting has not been applied to any of our open hedges at June 30, 2011, no associated losses or gains have been recorded within OCI.

| Derivatives Not Accounted for as Hedges Under the Accounting Rules | Gain Recognized in Income | Location of Gain Recognized in Income |
|---|--|--|
| Copper commodity contracts: | | |
| Three months ended June 30, 2011 | \$ 45 | Cost of goods sold |
| Three months ended June 30, 2010 | 354 | Cost of goods sold |
| Six months ended June 30, 2011 | 307 | Cost of goods sold |
| Six months ended June 30, 2010 | 255 | Cost of goods sold |

13. INCOME TAXES

| | Three Months Ended | | Six Months Ended | |
|--------------------|--------------------|-------|------------------|-------|
| | June 30, | | June 30, | |
| | 2011 | 2010 | 2011 | 2010 |
| Effective Tax Rate | 29.8% | 36.3% | 31.3% | 47.2% |

The decrease in our tax rate for the second quarter and first half of 2011, as compared to the same respective periods of 2010, primarily reflects an increase in our pre-tax income in 2011 as well as a decrease in our projected annual effective tax rate for the year and the impact of a \$753 non-taxable gain on our approximate 4.8% equity holdings in TRC at the time of the acquisition as further explained in Note 3 above.

14. BENEFIT PLANS***Employee Savings Plan***

We provide defined contribution savings plans for employees meeting certain age and service requirements. We currently make matching contributions for a portion of employee contributions to the plans. Including such matching contributions, we recorded expenses totaling \$248 and \$559 related to these savings plans during the three and six months ended June 30, 2011, respectively. We recorded expense of \$356 and \$725 for the three and six months ended June 30, 2010, respectively.

Riblet Pension Plan

As a result of its merger with Riblet Products Corporation (Riblet) in 2000, the Company is responsible for a defined-benefit pension plan of Riblet. The Riblet plan was frozen in 1990 and no additional benefits have been earned by plan participants since that time. A total of 83 former employees of Riblet currently receive or may be eligible to receive future benefits under the plan. The Company does not expect to make any plan contributions in 2011. The net period income for the three and six months ended June 30, 2011 was \$8 and \$16, respectively. For the three and six month period ending June 30, 2010, we incurred net period expense of \$7 and \$14, respectively.

15. FAIR VALUE DISCLOSURE

Accounting guidance for fair value measurements specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources or reflect our own assumptions of market participant valuation. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1 Inputs Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs Level 3 inputs are unobservable inputs for the asset or liability.

As of the periods ending June 30, 2011 and December 31, 2010, we utilized Level 1 inputs to determine the fair value of cash and cash equivalents, derivatives, and for 2010 only, equity securities.

We classify cash on hand and deposits in banks, including money market accounts, commercial paper, and other investments with an original maturity of three months or less, that we hold from time to time, as cash and cash equivalents. The primary objective of our investment activities is to preserve our capital for the purpose of funding operations.

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Financial assets measured at fair value on a recurring basis are summarized below:

| | June 30, 2011 | | | Fair Value Measurement | | | | December 31, 2010 | | |
|--|-----------------|-----------|-----------|------------------------|------------------|-----------|-----------|-------------------|--|--|
| | Level 1 | Level 2 | Level 3 | Fair Value | Level 1 | Level 2 | Level 3 | Fair Value | | |
| Assets: | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 5,701 | \$ | \$ | \$ 5,701 | \$ 33,454 | \$ | \$ | \$ 33,454 | | |
| Derivative Assets, Inclusive of Collateral | 97 | | | 97 | 740 | | | 740 | | |
| Available for Sale Securities | | | | | 1,243 | | | 1,243 | | |
| Total | \$ 5,798 | \$ | \$ | \$ 5,798 | \$ 35,437 | \$ | \$ | \$ 35,437 | | |

16. OTHER INCOME

We recorded other (income) loss of \$45 and \$(86) for the second quarter and first half of 2011, respectively, primarily reflecting the exchange rate impact on our Canadian subsidiary. We recorded other loss of \$241 and \$114 for the second quarter and first half of 2010, respectively, also reflecting the exchange rate impact.

17. BUSINESS SEGMENT INFORMATION

During the second quarter of 2011, we changed our management reporting structure and the manner in which we report our financial results internally, as a result of the acquisition of TRC. We altered the reporting structure as TRC will maintain its current manufacturing and distribution organization, as well as maintain its management team, which will now affect the manner in which the Company's chief operating decision maker assesses results. We now have three reportable segments: (1) Distribution, (2) Original Equipment Manufacturers (OEM) and (3) TRC. The Distribution segment serves our customers in distribution businesses, who are resellers of our products, while our OEM segment serves our OEM customers, who generally purchase more tailored products from us, which are used as inputs into subassemblies of manufactured finished goods. TRC will maintain its current production facilities in Clearwater, FL, Titusville, FL, and Honduras and is reported herein as a separate reportable segment, which is consistent with our current management reporting structure.

Financial data for the Company's reportable segments is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------|--------------------------------|-------------------|------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net Sales: | | | | |
| Distribution Segment | \$ 155,701 | \$ 126,438 | \$ 304,959 | \$ 240,870 |
| OEM Segment | 59,500 | 47,573 | 116,043 | 89,121 |
| TRC | 4,649 | | 4,649 | |
| Total | \$ 219,850 | \$ 174,011 | \$ 425,651 | \$ 329,991 |
| Operating Income: | | | | |
| Distribution Segment | \$ 16,221 | \$ 13,460 | \$ 31,374 | \$ 23,946 |
| OEM Segment | 5,356 | 3,987 | 10,325 | 7,289 |
| TRC | (804) | | (804) | |
| Total segments | 20,773 | 17,447 | 40,895 | 31,235 |
| Corporate | (8,118) | (5,345) | (13,649) | (10,406) |
| Consolidated operating income | \$ 12,655 | \$ 12,102 | \$ 27,246 | \$ 20,829 |

Our Distribution and OEM segments have common production processes and manufacturing facilities. Accordingly, we do not identify all of our net assets to our segments. Thus, we do not report capital expenditures at the segment level. Additionally, depreciation expense is not allocated to our segments, but is included in manufacturing overhead cost pools and is absorbed into product cost (and inventory) as each product passes

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through our manufacturing work centers. Accordingly, as products are sold across our segments, it is impracticable to determine the amount of depreciation expense included in the operating results of each segment.

Segment operating income represents income from continuing operations before interest income or expense, other income or expense, and income taxes. Corporate consists of items not charged or allocated to the segments, including costs for employee relocation, discretionary bonuses, professional fees, restructuring expenses, asset impairments, and intangible amortization. Given it is currently being operating on a largely stand-alone basis, TRC's segment results currently include all expenses associated with the operation of TRC, including the expenses of the Clearwater, FL headquarters, \$203 in restructuring expense and \$498 of depreciation and amortization expense associated with those fixed and intangible assets recorded in connection with the acquisition of TRC.

18. SUPPLEMENTAL GUARANTOR INFORMATION

The Senior Notes and the Revolving Credit Facility are instruments of the parent, and are reflected in their respective balance sheets. As of June 30, 2011, our payment obligations under the Senior Notes and the Revolving Credit Facility (see Note 7) were guaranteed by our 100% owned subsidiary, CCI International, Inc. (the Guarantor Subsidiary). Such guarantees are full, unconditional, and joint and several. The following unaudited supplemental financial information sets forth, on a combined basis, balance sheets, statements of operations and statements of cash flows for Coleman Cable, Inc. (Parent) and the Guarantor Subsidiary. The condensed consolidating financial statements have been prepared on the same basis as the condensed consolidated financial statements of Coleman Cable, Inc. The equity method of accounting is followed within this financial information.

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE THREE MONTHS

ENDED JUNE 30, 2011

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|---|------------|-------------------------|-------------------------------|--------------|------------|
| NET SALES | \$ 213,376 | \$ | \$ 16,489 | \$ (10,015) | \$ 219,850 |
| COST OF GOODS SOLD | 183,989 | | 13,635 | (10,015) | 187,609 |
| GROSS PROFIT | 29,387 | | 2,854 | | 32,241 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 15,192 | | 2,450 | | 17,642 |
| INTANGIBLE ASSET AMORTIZATION | 1,345 | | 404 | | 1,749 |
| RESTRUCTURING CHARGES | (8) | | 203 | | 195 |
| OPERATING INCOME (LOSS) | 12,858 | | (203) | | 12,655 |
| INTEREST EXPENSE | 7,062 | | 64 | | 7,126 |
| GAIN ON AVAILABLE FOR SALE SECURITY | (753) | | | | (753) |
| OTHER LOSS, NET | | | 45 | | 45 |
| INCOME (LOSS) BEFORE INCOME TAXES | 6,549 | | (312) | | 6,237 |
| LOSS FROM SUBSIDIARIES | (134) | | | 134 | |
| INCOME TAX EXPENSE (BENEFIT) | 2,039 | | (178) | | 1,861 |
| NET INCOME (LOSS) | \$ 4,376 | \$ | \$ (134) | \$ 134 | \$ 4,376 |

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE THREE MONTHS

ENDED JUNE 30, 2010

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|--|------------|-------------------------|-------------------------------|--------------|------------|
| NET SALES | \$ 165,877 | \$ | \$ 8,134 | \$ | \$ 174,011 |
| COST OF GOODS SOLD | 141,990 | | 6,025 | | 148,015 |
| GROSS PROFIT | 23,887 | | 2,109 | | 25,996 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 10,614 | | 1,238 | | 11,852 |
| INTANGIBLE ASSET AMORTIZATION | 1,595 | | 11 | | 1,606 |
| RESTRUCTURING CHARGES | 436 | | | | 436 |
| OPERATING INCOME | 11,242 | | 860 | | 12,102 |
| INTEREST EXPENSE | 6,915 | | 55 | | 6,970 |
| OTHER LOSS, NET | | | 241 | | 241 |
| INCOME BEFORE INCOME TAXES | 4,327 | | 564 | | 4,891 |
| INCOME FROM SUBSIDIARIES | 356 | | | (356) | |
| INCOME TAX EXPENSE | 1,568 | | 208 | | 1,776 |
| NET INCOME | \$ 3,115 | \$ | \$ 356 | \$ (356) | \$ 3,115 |

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE SIX MONTHS

ENDED JUNE 30, 2011

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|---|------------|-------------------------|-------------------------------|--------------|------------|
| NET SALES | \$ 410,075 | \$ | \$ 29,253 | \$ (13,677) | \$ 425,651 |
| COST OF GOODS SOLD | 352,553 | | 24,508 | (13,677) | 363,384 |
| GROSS PROFIT | 57,522 | | 4,745 | | 62,267 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 27,620 | | 3,874 | | 31,494 |
| INTANGIBLE ASSET AMORTIZATION | 2,923 | | 409 | | 3,332 |
| RESTRUCTURING CHARGES | (8) | | 203 | | 195 |
| OPERATING INCOME | 26,987 | | 259 | | 27,246 |
| INTEREST EXPENSE | 13,969 | | 129 | | 14,098 |
| GAIN ON AVAILABLE FOR SALE SECURITY | (753) | | | | (753) |
| OTHER INCOME, NET | | | (86) | | (86) |
| INCOME BEFORE INCOME TAXES | 13,771 | | 216 | | 13,987 |
| INCOME FROM SUBSIDIARIES | 209 | | | (209) | |
| INCOME TAX EXPENSE | 4,377 | | 7 | | 4,384 |
| NET INCOME | \$ 9,603 | \$ | \$ 209 | \$ (209) | \$ 9,603 |

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS FOR THE SIX MONTHS

ENDED JUNE 30, 2010

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|---|------------|-------------------------|-------------------------------|--------------|------------|
| NET SALES | \$ 314,191 | \$ | \$ 15,800 | \$ | \$ 329,991 |
| COST OF GOODS SOLD | 268,713 | | 12,443 | | 281,156 |
| GROSS PROFIT | 45,478 | | 3,357 | | 48,835 |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSES | 20,571 | | 2,488 | | 23,059 |
| INTANGIBLE ASSET AMORTIZATION | 3,601 | | 22 | | 3,623 |
| RESTRUCTURING CHARGES | 1,324 | | | | 1,324 |
| OPERATING INCOME | 19,982 | | 847 | | 20,829 |
| INTEREST EXPENSE | 13,393 | | 109 | | 13,502 |
| LOSS ON EXTINGUISHMENT OF DEBT | 8,566 | | | | 8,566 |
| OTHER LOSS, NET | | | 114 | | 114 |
| INCOME (LOSS) BEFORE INCOME TAXES | (1,977) | | 624 | | (1,353) |
| INCOME FROM SUBSIDIARIES | 356 | | | (356) | |
| INCOME TAX EXPENSE (BENEFIT) | (906) | | 268 | | (638) |

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| | | | | | | | | | | |
|-------------------|----|-------|----|--|----|-----|----|-------|----|-------|
| NET INCOME (LOSS) | \$ | (715) | \$ | | \$ | 356 | \$ | (356) | \$ | (715) |
|-------------------|----|-------|----|--|----|-----|----|-------|----|-------|

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET AS OF JUNE 30, 2011

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|--|-------------------|-------------------------|-------------------------------|--------------------|-------------------|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 754 | \$ 79 | \$ 4,868 | \$ | \$ 5,701 |
| Accounts receivable net of allowances | 119,240 | | 12,971 | | 132,211 |
| Intercompany receivable | | | 1,694 | (1,694) | |
| Inventories | 102,298 | | 16,233 | | 118,531 |
| Deferred income taxes | 3,356 | | 479 | | 3,835 |
| Assets held for sale | 546 | | | | 546 |
| Prepaid expenses and other current assets | 7,521 | 2 | 2,536 | (5,358) | 4,701 |
| Total current assets | 233,715 | 81 | 38,781 | (7,052) | 265,525 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 49,871 | | 4,842 | | 54,713 |
| GOODWILL | 31,780 | | 25,128 | | 56,908 |
| INTANGIBLE ASSETS, NET | 23,944 | | 7,968 | | 31,912 |
| DEFERRED INCOME TAXES | | | 429 | | 429 |
| OTHER ASSETS | 7,272 | | 34 | | 7,306 |
| INVESTMENT IN SUBSIDIARIES | 61,449 | | | (61,449) | |
| TOTAL ASSETS | \$ 408,031 | \$ 81 | \$ 77,182 | \$ (68,501) | \$ 416,793 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Current portion of long-term debt | \$ 4 | \$ | \$ | \$ | \$ 4 |
| Accounts payable | 30,213 | | 3,852 | | 34,065 |
| Intercompany payable | 1,657 | 37 | | (1,694) | |
| Accrued liabilities | 28,700 | 44 | 3,144 | | 31,888 |
| Other liabilities | | | 5,358 | (5,358) | |
| Total current liabilities | 60,574 | 81 | 12,354 | (7,052) | 65,957 |
| LONG-TERM DEBT | 322,408 | | | | 322,408 |
| OTHER LONG-TERM LIABILITIES | 3,306 | | | | 3,306 |
| DEFERRED INCOME TAXES | (335) | | 3,379 | | 3,044 |
| SHAREHOLDERS EQUITY: | | | | | |
| Common stock | 17 | | | | 17 |
| Additional paid-in capital | 91,423 | | 52,510 | (52,510) | 91,423 |
| Retained earnings (accumulated deficit) | (69,657) | | 8,781 | (8,781) | (69,657) |
| Accumulated other comprehensive income | 295 | | 158 | (158) | 295 |
| Total shareholders equity | 22,078 | | 61,449 | (61,449) | 22,078 |
| TOTAL LIABILITIES AND EQUITY | \$ 408,031 | \$ 81 | \$ 77,182 | \$ (68,501) | \$ 416,793 |

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING BALANCE SHEET AS OF December 31, 2010

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|--|-------------------|-------------------------|-------------------------------|--------------------|-------------------|
| ASSETS | | | | | |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | \$ 30,493 | \$ 77 | \$ 2,884 | \$ | \$ 33,454 |
| Accounts receivable net of allowances | 100,285 | | 10,489 | | 110,774 |
| Intercompany receivable | 2,188 | | | (2,188) | |
| Inventories | 75,001 | | 6,129 | | 81,130 |
| Deferred income taxes | 3,008 | | 163 | | 3,171 |
| Assets held for sale | 546 | | | | 546 |
| Prepaid expenses and other current assets | 8,340 | 1 | 778 | (5,358) | 3,761 |
| Total current assets | 219,861 | 78 | 20,443 | (7,546) | 232,836 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 45,470 | | 261 | | 45,731 |
| GOODWILL | 27,598 | | 1,536 | | 29,134 |
| INTANGIBLE ASSETS, NET | 23,657 | | 107 | | 23,764 |
| DEFERRED INCOME TAXES | | | 301 | | 301 |
| OTHER ASSETS | 9,345 | | | | 9,345 |
| INVESTMENT IN SUBSIDIARIES | 9,538 | | | (9,538) | |
| TOTAL ASSETS | \$ 335,469 | \$ 78 | \$ 22,648 | \$ (17,084) | \$ 341,111 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Current portion of long-term debt | \$ 7 | \$ | \$ | \$ | \$ 7 |
| Accounts payable | 19,075 | | 2,941 | | 22,016 |
| Intercompany payable | | 73 | 2,115 | (2,188) | |
| Accrued liabilities | 27,492 | 5 | 2,696 | | 30,193 |
| Other liabilities | | | 5,358 | (5,358) | |
| Total current liabilities | 46,574 | 78 | 13,110 | (7,546) | 52,216 |
| LONG-TERM DEBT | 271,820 | | | | 271,820 |
| OTHER LONG-TERM LIABILITIES | 4,258 | | | | 4,258 |
| DEFERRED INCOME TAXES | 1,595 | | | | 1,595 |
| SHAREHOLDERS EQUITY: | | | | | |
| Common stock | 17 | | | | 17 |
| Additional paid-in capital | 90,483 | | 1,000 | (1,000) | 90,483 |
| Retained earnings (accumulated deficit) | (79,260) | | 8,572 | (8,572) | (79,260) |
| Accumulated other comprehensive loss | (18) | | (34) | 34 | (18) |
| Total shareholders equity | 11,222 | | 9,538 | (9,538) | 11,222 |
| TOTAL LIABILITIES AND EQUITY | \$ 335,469 | \$ 78 | \$ 22,648 | \$ (17,084) | \$ 341,111 |

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE SIX MONTHS

ENDED JUNE 30, 2011

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiaries | Eliminations | Total |
|---|----------|-------------------------|-------------------------------|--------------|----------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | | | | |
| Net income | \$ 9,603 | \$ | \$ 209 | \$ (209) | \$ 9,603 |
| Adjustments to reconcile net income to net cash flow from operating activities: | | | | | |
| Depreciation and amortization | 9,378 | | 574 | | 9,952 |
| Stock-based compensation | 3,519 | | | | 3,519 |
| Foreign currency transaction gain | | | (86) | | (86) |
| Gain on available for sale securities | (753) | | | | (753) |
| Deferred taxes | (2,504) | | (73) | | (2,577) |
| Gain on disposal of fixed assets | (5) | | | | (5) |
| Equity in consolidated subsidiaries | (209) | | | 209 | |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (16,832) | | 1,444 | | (15,388) |
| Inventories | (22,537) | | (1,319) | | (23,856) |
| Prepaid expenses and other assets | 925 | (1) | (378) | | 546 |
| Accounts payable | 10,277 | | (1,856) | | 8,421 |
| Intercompany accounts | 867 | (36) | (831) | | |
| Accrued liabilities | (2,935) | 39 | (1,199) | | (4,095) |
| Net cash flow from operating activities | (11,206) | 2 | (3,515) | | (14,719) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | | |
| Capital expenditures | (5,036) | | (18) | | (5,054) |
| Proceeds from sale of fixed assets | 8 | | | | 8 |
| Acquisition of businesses, net of cash acquired | (63,883) | | 5,202 | | (58,681) |
| Net cash flow from investing activities | (68,911) | | 5,184 | | (63,727) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | | | |
| Borrowings under revolving loan facilities | 89,560 | | | | 89,560 |
| Repayments under revolving loan facilities | (39,196) | | | | (39,196) |
| Payment of deferred financing fees | (49) | | | | (49) |
| Repayment of long-term debt | (4) | | | | (4) |
| Proceeds from stock option exercises | 67 | | | | 67 |
| Net cash flow from financing activities | 50,378 | | | | 50,378 |
| Effect of exchange rate on cash and cash equivalents | | | 315 | | 315 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| CASH AND CASH EQUIVALENTS Beginning of period | 30,493 | 77 | 2,884 | | 33,454 |
| CASH AND CASH EQUIVALENTS End of period | \$ 754 | \$ 79 | \$ 4,868 | \$ | \$ 5,701 |
| NONCASH ACTIVITY | | | | | |
| Unpaid capital expenditures | 1,502 | | | | 1,502 |
| Unpaid business acquisition consideration | 542 | | | | 542 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | | | | |

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| | | | |
|------------------------|--------|-----|--------|
| Income taxes paid, net | 5,476 | 404 | 5,880 |
| Cash interest paid | 13,090 | | 13,090 |

COLEMAN CABLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE SIX MONTHS

ENDED JUNE 30, 2010

| | Parent | Guarantor Subsidiary | Non Guarantor Subsidiary | Eliminations | Total |
|---|-----------|-------------------------|-----------------------------|--------------|-----------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | | | | |
| Net income (loss) | \$ (715) | \$ | \$ 356 | \$ (356) | \$ (715) |
| Adjustments to reconcile net income to net cash flow from operating activities: | | | | | |
| Depreciation and amortization | 10,126 | | 97 | | 10,223 |
| Stock-based compensation | 1,084 | | | | 1,084 |
| Foreign currency transaction loss | | | 114 | | 114 |
| Loss on extinguishment of debt | 8,566 | | | | 8,566 |
| Deferred taxes | (885) | | 228 | | (657) |
| Loss on disposal of fixed assets | 476 | | | | 476 |
| Equity in consolidated subsidiaries | (356) | | | 356 | |
| Changes in operating assets and liabilities: | | | | | |
| Accounts receivable | (16,032) | | 3,851 | | (12,181) |
| Inventories | (14,703) | | (4,638) | | (19,341) |
| Prepaid expenses and other assets | (2,278) | 11 | (1,001) | | (3,268) |
| Accounts payable | 4,406 | 1 | 427 | | 4,834 |
| Intercompany accounts | (604) | (11) | 615 | | |
| Accrued liabilities | 5,774 | (9) | (2,273) | | 3,492 |
| Net cash flow from operating activities | (5,141) | (8) | (2,224) | | (7,373) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | | | |
| Capital expenditures | (2,955) | | | | (2,955) |
| Purchase of investments | (1,280) | | | | (1,280) |
| Proceeds from sale of fixed assets | 39 | | | | 39 |
| Net cash flow from investing activities | (4,196) | | | | (4,196) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | | | |
| Borrowings under revolving loan facilities | 34,696 | | | | 34,696 |
| Repayments under revolving loan facilities | (44,935) | | | | (44,935) |
| Payment of deferred financing fees related to issuance of 2018 Senior Notes | (6,607) | | | | (6,607) |
| Repayment of long-term debt | (231,651) | | | | (231,651) |
| Proceeds from issuance of 2018 Senior Notes | 271,911 | | | | 271,911 |
| Net cash flow from financing activities | 23,414 | | | | 23,414 |
| Effect of exchange rate on cash and cash equivalents | | | 22 | | 22 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | |
| CASH AND CASH EQUIVALENTS Beginning of period | 14,077 | (8) | (2,202) | | 11,867 |
| CASH AND CASH EQUIVALENTS End of period | 4,018 | 57 | 3,524 | | 7,599 |
| CASH AND CASH EQUIVALENTS End of period | \$ 18,095 | \$ 49 | \$ 1,322 | \$ | \$ 19,466 |
| NONCASH ACTIVITY | | | | | |
| Unpaid capital expenditures | 149 | | | | 149 |

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SUPPLEMENTAL CASH FLOW INFORMATION

| | | | |
|-----------------------------------|-------|-----|-------|
| Income taxes paid (refunded), net | (69) | 888 | 819 |
| Cash interest paid | 8,468 | | 8,468 |

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a variety of risks and uncertainties, including those described in this report under Cautionary Note Regarding Forward-Looking Statements and under Item 1A. Risk Factors in our Annual Report on Form 10-K, for the fiscal year ended December 31, 2010. We assume no obligation to update any of these forward-looking statements. You should read the following discussion in conjunction with our condensed consolidated financial statements and the notes thereto included in this report.

Overview

Coleman Cable, Inc. (the Company, Coleman, us, we, or our) is a leading designer, developer, manufacturer and supplier of electrical wire and cable products for consumer, commercial and industrial applications, with operations primarily in the U.S. and, to a lesser degree, in Honduras and Canada.

Raw materials, primarily copper, comprise the primary component of our cost of goods sold. The price of copper is particularly volatile, and fluctuations in copper prices can significantly affect our sales and profitability. The average copper price on the COMEX was \$4.16 and \$4.27 per pound for the second quarter and first half of 2011, respectively, as compared to \$3.19 and \$3.24 per pound for the second quarter and first half of 2010, which represented increases of 30.4% and 31.8%, respectively.

As the result of our acquisition of TRC, we now have three reportable segments, Distribution, OEM, and TRC.

Second Quarter 2011 Acquisitions

During the second quarter of 2011, we utilized cash on hand, as well as borrowings under our Senior Secured Revolving Credit Facility (Revolving Credit Facility), to complete three business combination transactions (collectively, the 2011 Acquisitions), as set forth below. Each of these 2011 Acquisitions was structured as an all-cash transaction, with collective consideration totaling \$69.7 million. As further discussed below, we believe these acquisitions represent significant opportunities for us, including the strengthening and greater diversification of our overall portfolio.

Acquisition of the Assets of The Designers Edge (TDE)

On April 1, 2011, we acquired the assets of TDE, a leading designer and distributor of specialty lighting products in the U.S. and Canada, with 2010 sales in excess of \$20.0 million. The total purchase price for the assets acquired, primarily trade receivables and merchandise inventories, was \$10.9 million, subject to certain purchase price adjustments. The acquisition of TDE assets significantly expands our current product portfolio across a wide range of lighting product categories, including industrial, work and utility, as well as products for security and landscape applications. We fully integrated the assets of TDE into our existing operations during the second quarter of 2011.

Acquisition of the Assets of First Capitol Wire and Cable (FCWC) and Continental Wire and Cable (CWC)

On April 29, 2011, we acquired the assets of FCWC and CWC, both of which were privately-held entities based in York, Pennsylvania, with CWC being a 100%-owned subsidiary of FCWC. These two entities, which had annual combined sales in excess of \$10.0 million, are leading manufacturers of industrial wire and cable products used across a number of commercial, utility and industrial end-markets. The total purchase price for the assets acquired, primarily merchandise inventories and production equipment, was \$7.3 million, inclusive of working capital adjustments of \$0.8 million. The acquisition of the assets of FCWC and CWC has allowed us to expand our capabilities, product offerings and capacity for producing a wide assortment of high-quality industrial cables. We fully integrated the assets of FCWC and CWC into our operations during the second quarter of 2011.

Acquisition of Technology Research Corporation (TRC)

On May 16, 2011, we completed the acquisition of 100% of the outstanding stock of TRC pursuant to a merger agreement signed on March 28, 2011. For its fiscal year ended March 31, 2011, TRC had revenues of approximately \$36.0 million and net income of \$1.5 million. TRC is a recognized leader in providing cost effective engineered solutions for applications involving power management and control, intelligent battery systems technology and electrical safety products based on proven ground fault sensing and *Fire Shield*[®] technology. These products are designed, manufactured and distributed to the consumer, commercial and industrial markets worldwide. TRC also supplies power monitors and control equipment to the United States Military and its prime contractors. TRC was publicly traded on the NASDAQ prior to its acquisition by Coleman. We completed the TRC acquisition as the result of a successful public tender offer to acquire all outstanding shares of TRC. The total purchase price consideration for TRC was approximately \$51.5 million, including the acquisition-date fair value of an approximate 4.8% interest in TRC's common stock acquired by Coleman prior to submitting its acquisition proposal for TRC.

The Company believes TRC's sizable commercial and consumer products segment greatly broadens our current electrical products platform. In addition, TRC's battery, power storage, and power management systems, represent new product lines for Coleman.

TRC will maintain its current production facilities in Clearwater, FL, Titusville, FL, and Honduras and is reported herein as a separate reportable segment.

Gain on Available For Sale Securities

As noted above, our pre-existing 4.8% interest in TRC was accounted for as a component of the overall purchase price for TRC. Accordingly, using the tender offer price of \$7.20 per share, the value of this component of total consideration was \$2.3 million, with the difference between this calculated fair value and our cost basis in the 4.8% interest recognized as a \$0.8 million gain in our condensed consolidated statement of income at the time of the acquisition in accordance with the applicable accounting rules.

Purchase Accounting Related to the 2011 Acquisitions

The 2011 Acquisitions were accounted for under the purchase method of accounting. Accordingly, we have allocated the purchase price for each acquisition to the net assets acquired based on the related estimated fair values at each respective acquisition date. The expected long-term growth, increased market position and expected synergies to be generated from the 2011 Acquisitions are the primary factors which gave rise to acquisition prices for each of the 2011 Acquisitions which resulted in the recognition of goodwill.

The purchase price allocations have been determined provisionally, and are subject to revision as additional information about the fair value of individual assets and liabilities becomes available. Accordingly, the provisional measurement of inventories, property, plant, and equipment, intangible assets, taxes, and goodwill are subject to change. In addition, we are in the process of determining and negotiating purchase price adjustments for the TDE acquisition which may result in a corresponding adjustment to the total TDE purchase price as well as the value of certain assets acquired. Any change in the acquisition date fair value of the acquired net assets will change the amount of the purchase price allocable to goodwill.

New Revolving Credit Facility

On August 4, 2011, we entered into a new \$250 million, five-year revolver credit facility agreement with an accordion feature that allows us to increase our borrowings by an additional \$50 million (the "2016 Revolver"). The 2016 Revolver gives us greater flexibility than our current Revolving Credit Facility in many respects. See Management's Discussion and Analysis "Liquidity and Capital Resources" Revolving Credit Facility.

Consolidated Results of Operations

The 2011 Acquisitions are included in our condensed consolidated results of operations beginning from each respective acquisition date. Accordingly, the consolidated statement of operations for the three and six months ended June 30, 2011 includes three months of operations for the assets acquired in connection with the TDE acquisition, approximately two months of operations for the assets acquired in connection with both the FCWC and CWC acquisitions, and approximately six weeks of operations related to TRC. The consolidated statement of operations for the three and six months ended June 30, 2010 does not include the impact of the 2011 Acquisitions.

In addition to net income (loss) determined in accordance with GAAP, we use certain non-GAAP measures in assessing our operating performance. These non-GAAP measures used by management include: (1) EBITDA, which we define as net income before net interest, income taxes, depreciation and amortization expense ("EBITDA"), (2) Adjusted EBITDA, which is our measure of EBITDA adjusted to exclude the impact of certain specifically identified items ("Adjusted EBITDA"), and (3) Adjusted earnings per share, which we calculate as diluted earnings per share adjusted to exclude the estimated per share impact of the same specifically identified items used to calculate Adjusted EBITDA ("Adjusted EPS"). For the periods presented in this report, the specifically identified items include share-based compensation expense, acquisition related costs, restructuring charges, losses on the extinguishment of our 2012 Senior Notes in the second quarter of 2010, the gain on available for sale securities recorded in the second quarter of 2011 relative to our investment in TRC at the date of the acquisition, and foreign currency transaction gains and losses recorded at our Canadian subsidiary.

We believe both EBITDA and Adjusted EBITDA serve as appropriate measures to be used in evaluating the performance of our business. We use these measures in the preparation of our annual operating budgets and in determining levels of operating and capital investments. We believe both EBITDA and Adjusted EBITDA allow us to readily view operating trends, perform analytical

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comparisons and identify strategies to improve operating performance. The usefulness of both EBITDA and Adjusted EBITDA as performance measures are limited by the fact that they both exclude the impact of interest expense, depreciation and amortization expense, and taxes. Due to these limitations, we do not, and you should not, use either EBITDA or Adjusted EBITDA as the only measures of our performance. We also use, and recommend that you consider, net income in accordance with GAAP as a measure of our performance. Finally, other companies may define EBITDA and Adjusted EBITDA differently and, as a result, our measure of EBITDA and Adjusted EBITDA may not be directly comparable to EBITDA and Adjusted EBITDA measures of other companies.

The following tables, which reconcile our measure of Adjusted EPS to diluted earnings per share, and Adjusted EBITDA to net income, respectively, should be used along with the below statements of operations for the periods presented, and the accompanying results of operations review.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Diluted earnings (loss) per share, as determined in accordance with GAAP, to Adjusted EPS | | | | |
| Earnings (loss) per share | \$ 0.25 | \$ 0.18 | \$ 0.55 | \$ (0.04) |
| Restructuring charges (1) | 0.01 | 0.01 | 0.01 | 0.05 |
| Loss on extinguishment of debt (2) | | | | 0.31 |
| Gain on available for sale securities (3) | (0.04) | | (0.04) | |
| Foreign currency transaction loss (4) | 0.00 | 0.01 | 0.00 | 0.00 |
| Share-based compensation expense(5) | 0.08 | 0.03 | 0.12 | 0.04 |
| Acquisition-related costs(6) | 0.07 | | 0.10 | |
| Adjusted diluted earnings per share | \$ 0.37 | \$ 0.23 | \$ 0.74 | \$ 0.36 |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|---------------------|------------------------------|---------------------|
| | 2011 (Thousands) | 2010 (Thousands) | 2011 (Thousands) | 2010 (Thousands) |
| Net income (loss), as determined in accordance with GAAP, to EBITDA and Adjusted EBITDA | | | | |
| Net income (loss) | \$ 4,376 | \$ 3,115 | \$ 9,603 | \$ (715) |
| Interest expense | 7,126 | 6,970 | 14,098 | 13,502 |
| Income tax expense (benefit) | 1,861 | 1,776 | 4,384 | (638) |
| Depreciation and amortization expense (a) | 4,615 | 4,273 | 8,921 | 9,186 |
| EBITDA | \$ 17,978 | \$ 16,134 | \$ 37,006 | \$ 21,335 |
| Restructuring charges (1) | 195 | 436 | 195 | 1,324 |
| Loss on extinguishment of debt (2) | | | | 8,566 |
| Gain on available for sale securities (3) | (753) | | (753) | |
| Foreign currency transaction gain (loss) (4) | 45 | 241 | (86) | 114 |
| Share-based compensation expense(5) | 2,342 | 724 | 3,519 | 1,084 |
| Acquisition-related costs(6) | 1,677 | | 2,578 | |
| ADJUSTED EBITDA | \$ 21,484 | \$ 17,535 | \$ 42,459 | \$ 32,423 |

(a) Depreciation and amortization expense shown in the above schedule excludes amortization of debt issuance costs, which are included as a component of interest expense.

The nature of each individual item listed in the table above, which has been excluded from EBITDA in order to arrive at our measure of Adjusted EBITDA for each of the periods presented, is detailed in the analysis of operating results that follows.

Earnings and Performance Summary

We recorded net income of \$4.4 million (or \$0.25 per diluted share) in the second quarter of 2011, as compared to net income of \$3.1 million (or \$0.18 per diluted share) for the second quarter of 2010. For the second quarter of 2011, we recorded EBITDA of \$18.0 million, as compared to \$16.1 million in EBITDA for the second quarter of 2010. As set forth below, results for these periods were impacted by certain significant items, the magnitude of which may vary significantly from period to period and, thereby, have a disproportionate effect on the earnings reported for any given period. The income-statement review below contains further detail regarding these items.

- (1) Restructuring charges: The Company's results for the three and six months ended June 30, 2011 included \$0.2 million (\$0.1 million after tax or \$0.01 per diluted share) and \$0.2 million (\$0.1 million after tax or \$0.01 per diluted share), respectively, in restructuring charges. These expenses were primarily comprised of severance costs at TRC. Our results for the three and six months ended June 30, 2010 included \$0.4 million (\$0.3 million after tax or \$0.01 per diluted share) and \$1.3 million (\$0.8 million after tax or \$0.05 per diluted share), respectively, in restructuring charges. These expenses were primarily comprised of lease termination and associated holding costs associated with nine facilities closed throughout 2008 and 2009.

- (2) Loss on repurchase of 2012 Senior Notes: In 2010, we refinanced our 2012 Senior Notes by issuing \$275.0 million in 2018 Senior Notes. As a result of the transaction, we recorded an associated loss of \$8.6 million (\$5.2 million after tax, or \$0.31 per diluted share).
- (3) Gain on available for sale securities: The Company held a 4.8% interest in TRC at the time it made its acquisition proposal for TRC. The fair value of our 4.8% pre-existing interest at the merger date was included in the total purchase price for TRC. As a result, we recorded a non-taxable gain of \$0.8 million (\$0.8 million after tax, or \$0.04 per diluted share) in the second quarter of 2011 which represented the impact of re-measuring to fair value the 4.8% equity interest in TRC we held before the business combination.
- (4) Foreign currency transaction loss (gain): Foreign currency transactions gains and losses are related to the impact of exchange rate fluctuations on our Canadian subsidiary. We recorded a foreign currency transaction loss of \$0.0 million (\$0.0 million after tax, or \$0.00 per diluted share) and gain of \$0.1 million (\$0.1 million after tax, or \$0.00 per diluted share) for the three and six months ended June 30, 2011, respectively. We recorded a foreign currency transaction loss of \$0.2 million (\$0.2 million after tax, or \$0.01 per diluted share) and \$0.1 million (\$0.1 million after tax, or \$0.0 per diluted share) for the three and six months ended June 30, 2010, respectively.
- (5) Share-based compensation expense: The Company recorded stock compensation expense of \$2.3 million (\$1.4 million after tax, or \$0.08 per diluted share) in the three months ended June 30, 2011 and \$3.5 million (\$2.1 million after tax, or \$0.12 per diluted share) during the six months ended June 30, 2011. Our results for the three and six month periods ended June 30, 2010 included \$0.7 million (\$0.4 million after tax or \$0.03 per diluted share) and \$1.1 million (\$0.7 million after tax or \$0.04 per diluted share), respectively, of stock-based compensation expense. Stock-based compensation expense is excluded from earnings to represent normalized operational results due to the periodic fluctuations in the value of the underlying instruments.
- (6) Acquisition-related costs: Our results for 2011 included acquisition-related costs of \$1.7 million (\$1.3 million after tax or \$0.07 per diluted share) in the three months ended June 30, 2011 and \$2.6 million (\$1.9 million after tax or \$0.10 per diluted share) during the six months ended June 30, 2011. Acquisition-related costs include outside legal, consulting and other fees, and direct expenses incurred in 2011 relative to acquisition-related activities. These costs are excluded from our measures of Adjusted EBITDA and Adjusted EPS so that such measures may more closely reflect underlying operational results.

The following sets forth, for the periods indicated, our consolidated results of operations and related data in thousands of dollars and as a percentage of net sales.

Three Months Ended June 30, 2011 Compared with Three Months Ended June 30, 2010

| | Three Months Ended June 30, 2011 | | Three Months Ended June 30, 2010 | | Period-over-Period Change 2011 vs. 2010 | |
|--|-------------------------------------|-------|-------------------------------------|-------|--|-------------|
| | Amount | % | Amount | % | \$ Change | % Change |
| | (Thousands, except per share data) | | | | | |
| Distribution net sales | \$ 155,701 | 70.8% | \$ 126,438 | 72.7% | \$ 29,263 | 23.1% |
| OEM net sales | 59,500 | 27.1 | 47,573 | 27.3 | 11,927 | 25.1 |
| TRC Net Sales | 4,649 | 2.1 | | | 4,649 | 100.0 |
| Consolidated net sales | 219,850 | 100.0 | 174,011 | 100.0 | 45,839 | 26.3 |
| Gross profit | 32,241 | 14.7 | 25,996 | 14.9 | 6,245 | 24.0 |
| Selling, general and administrative expenses | 17,642 | 8.0 | 11,852 | 6.8 | 5,790 | 48.9 |
| Intangible amortization expense | 1,749 | 0.8 | 1,606 | 0.9 | 143 | 8.9 |
| Restructuring charges | 195 | 0.1 | 436 | 0.3 | (241) | (55.3) |
| Operating income | 12,655 | 5.8 | 12,102 | 7.0 | 553 | 4.6 |
| Interest expense | 7,126 | 3.2 | 6,970 | 4.0 | 156 | 2.2 |
| Gain on available for sale securities | (753) | (0.3) | | 0.0 | (753) | (100.0) |
| Other income (loss), net | 45 | 0.0 | 241 | 0.1 | (196) | (81.3) |
| Income before income taxes | 6,237 | 2.9 | 4,891 | 2.8 | 1,346 | 27.5 |
| Income tax expense | 1,861 | 0.9 | 1,776 | 1.0 | 85 | 4.8 |
| Net income | \$ 4,376 | 2.0 | \$ 3,115 | 1.8 | \$ 1,261 | 40.5 |
| Diluted income per share | \$ 0.25 | | \$ 0.18 | | | |

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Six Months Ended June 30, 2011 Compared with Six Months Ended June 30, 2010

| | Six Months Ended June 30, 2011 | | Six Months Ended June 30, 2010 | | Period-over-Period Change 2011 vs. 2010 | |
|--|------------------------------------|-------|-----------------------------------|-------|--|----------|
| | Amount | % | Amount | % | \$ Change | % Change |
| | (Thousands, except per share data) | | | | | |
| Distribution net sales | \$ 304,959 | 71.6% | \$ 240,870 | 73.0% | \$ 64,089 | 26.6% |
| OEM net sales | 116,043 | 27.3 | 89,121 | 27.0 | 26,922 | 30.2 |
| TRC Net Sales | 4,649 | 1.1 | | | 4,649 | 100.0 |
| Consolidated net sales | 425,651 | 100.0 | 329,991 | 100.0 | 95,660 | 29.0 |
| Gross profit | 62,267 | 14.6 | 48,835 | 14.8 | 13,432 | 27.5 |
| Selling, general and administrative expenses | 31,494 | 7.4 | 23,059 | 7.0 | 8,435 | 36.6 |
| Intangible amortization expense | 3,332 | 0.8 | 3,623 | 1.1 | (291) | (8.0) |
| Restructuring charges | 195 | 0.0 | 1,324 | 0.4 | (1,129) | (85.3) |
| Operating income | 27,246 | 6.4 | 20,829 | 6.3 | 6,417 | 30.8 |
| Interest expense | 14,098 | 3.3 | 13,502 | 4.1 | 596 | 4.4 |
| Loss on extinguishment of debt | | | 8,566 | 2.6 | (8,566) | (100.0) |
| Gain on available for sale securities | (753) | (0.2) | | | (753) | (100.0) |
| Other (income) loss, net | (86) | 0.0 | 114 | 0.0 | 200 | 176.3 |
| Income before income taxes | 13,987 | 3.3 | (1,353) | (0.4) | 15,340 | 1,133.9 |
| Income tax expense | 4,384 | 1.0 | (638) | (0.2) | 5,022 | 787.6 |
| Net income | 9,603 | 2.3 | \$ (715) | (0.2) | \$ 10,318 | 1,442.9 |
| Diluted income per share | \$ 0.55 | | (0.04) | | | |

Segments

As a result of the TRC acquisition, we now have three reportable segments: (1) Distribution, (2) Original Equipment Manufacturers (OEM) and (3) TRC. The Distribution segment serves our customers in distribution businesses, who are resellers of our products, while our OEM segment serves our OEM customers, who generally purchase more tailored products from us, which are used as inputs into subassemblies of manufactured finished goods, while TRC services engineering solutions to both consumer and commercial markets.

Net sales

The increase in net sales for the second quarter and first half of 2011, as compared to the second quarter and first half of 2010, mainly reflected higher average copper prices, sales recorded from the 2011 Acquisitions, and to a lesser degree, higher overall volumes resulting from an increase in volumes within our OEM segment. Sales from the 2011 Acquisitions accounted for approximately \$10.2 million of our total second quarter 2011 sales.

The following table sets forth our sales volume by segment, measured in total pounds shipped:

Total Sales Volume in

| Pounds (1) | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--------------|-----------------------------|--------|----------|---------------------------|---------|----------|
| | 2011 | 2010 | % Change | 2011 | 2010 | % Change |
| | (Thousands) | | | | | |
| Distribution | 40,861 | 40,778 | 0.2% | 78,816 | 77,939 | 1.1% |
| OEM | 21,307 | 19,886 | 7.1 | 41,880 | 37,195 | 12.6 |
| Consolidated | 62,168 | 60,664 | 2.5 | 120,696 | 115,134 | 4.8 |

- (1) TRC does not currently track volume through total pounds shipped

Gross profit

Our gross profit for the second quarter and first half of 2011 included the impact of our 2011 Acquisitions, which accounted for approximately \$2.3 million of the total increase primarily. TRC, which accounted for \$1.0 million of the total. Excluding the impact of the 2011 Acquisitions, the significant increase in gross profit for the second quarter and first half of 2011, as compared to the same periods in 2010, primarily reflected the impact of increased volumes and improved pricing within our OEM segment, as well as within a number of areas across our Distribution segment. Accordingly, we generated increased gross profit in both our Distribution and OEM segments. Our gross profit as a percentage of net sales (gross profit rate) decreased during the second quarter and first half of 2011, as compared to the same periods in 2010, with the decline primarily reflecting the impact of higher copper prices. A significant portion of our sales are priced to earn a fixed dollar margin, which causes our gross margin rate to decline when copper prices increase.

Selling, general and administrative (SG&A) expense

For the second quarter and first half of 2011, we incurred \$1.5 million in SG&A expenses arising directly from the 2011 Acquisitions, primarily TRC, which accounted for approximately \$1.2 million of the total, as well as an additional \$1.7 million and \$2.6 million, respectively, of outside legal, consulting and other fees, and direct expenses incurred relative to the 2011 Acquisitions. We incurred no such acquisition-related costs in 2010. Excluding the impact of such acquisition-related costs, our SG&A expenses increased \$2.6 and \$4.3 million in the second quarter and first half of 2011, respectively, as compared to the same periods in 2010, with the increase mainly attributable to higher payroll and related costs, including most notably an increase of \$1.6 million for the second quarter (\$2.4 million for the first half) in non-cash, share-based compensation expense, which reflected improvement in the performance of our common stock and overall business results. In addition, our commission expense increased \$0.6 million for the second quarter (\$0.9 million for the first half) reflecting overall increased sales levels. The increase in our SG&A rate as a percentage of net sales for the second quarter and first half of 2011, as compared to the same respective periods of 2010, largely reflects the impact of acquisition-related costs. Excluding the impact of acquisition-related costs, SG&A expense as a percentage of sales would have resulted in 6.6% and 6.4% for the second quarter and first half of 2011, respectively.

Intangible amortization expense

The increase in intangible amortization for the three months ended June 30, 2011 reflects the impact of amortization recorded in relation to the 2011 Acquisitions partially offset by lower amortization expense recorded in relation to acquisitions made in prior years. Amortization expense relative to intangible assets reflects the fact that such assets are generally amortized using an accelerated amortization method, which reflects our estimate of the pattern in which the economic benefit derived from such assets is to be consumed and, accordingly, results in lower amortization in periods further removed from the period of initial recognition. We anticipate increased intangible amortization expense in future quarters as a result of an increase in total intangible assets resulting from the 2011 Acquisitions.

Restructuring charges

We recorded \$0.2 million in restructuring costs in the second quarter and first half of 2011. These expenses were primarily comprised of severance costs at TRC. For the second quarter and first half of 2010, we recorded \$0.4 million and \$1.3 million, respectively, of restructuring costs, primarily comprised of lease termination costs associated with facilities closed in 2008 and 2009. Closed facilities as of June 30, 2011 consist of one leased and one owned facility for which we will continue to pay holding costs.

Operating income

The following table sets forth operating income by segment, in thousands of dollars and segment operating income as a percentage of segment net sales.

| | Three Months Ended June 30, 2011 | | 2010 | | Year-over-Year Change 2011 vs. 2010 | |
|--------------------------|-------------------------------------|---------|---------------|---------|--|-------------|
| | Amount | % Total | Amount | % Total | \$ Change | % Change |
| | | | (Thousands) | | | |
| Operating Income: | | | | | | |
| Distribution | \$ 16,221 | 10.4% | \$ 13,460 | 10.6% | \$ 2,761 | 20.5% |
| OEM | 5,356 | 9.0 | 3,987 | 8.4 | 1,369 | 34.3 |
| TRC | (804) | (17.3) | | | (804) | (100.0) |
| Total segments | 20,773 | | 17,447 | | 3,326 | 19.1 |

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| | | | | | | |
|-------------------------------|-----------|------|-----------|------|--------|-----|
| Corporate | (8,118) | | (5,345) | | | |
| Consolidated operating income | \$ 12,655 | 6.1% | \$ 12,102 | 7.0% | \$ 553 | 4.6 |

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| | Six Months Ended June 30, | | | | Year-over-Year Change | |
|---------------------------------|---------------------------|---------|-----------|---------|-----------------------|----------|
| | 2011 | | 2010 | | 2011 vs. 2010 | |
| | Amount | % Total | Amount | % Total | \$ Change | % Change |
| (Thousands) | | | | | | |
| Operating Income (Loss): | | | | | | |
| Distribution | \$ 31,374 | 10.3% | \$ 23,946 | 9.9% | \$ 7,428 | 31.0% |
| OEM | 10,325 | 8.9 | 7,289 | 8.2 | 3,036 | 41.6 |
| TRC | (804) | (0.2) | | | (804) | (100.0) |
| Total segments | 40,895 | (17.3) | 31,235 | | 9,660 | 30.9 |
| Corporate | (13,649) | | (10,406) | | | |
| Consolidated operating income | \$ 27,246 | 6.6% | \$ 20,829 | 3.0% | \$ 6,417 | 30.8 |

Segment operating income represents income from continuing operations before interest income or expense, other income or expense, and income taxes. Corporate consists of items not charged or allocated to the segments, including costs for employee relocation, discretionary bonuses, professional fees, restructuring expenses, asset impairments, share-based compensation expense, and intangible amortization. Our Distribution and OEM segments have common production processes, and manufacturing and distribution capacity. Accordingly, we do not identify net assets to our segments. Depreciation expense is not allocated to segments, but is included in manufacturing overhead cost pools and is absorbed into product cost (and inventory) as each product passes through our numerous manufacturing work centers. Accordingly, as products are sold across our segments, it is impracticable to determine the amount of depreciation expense included in the operating results of each segment.

TRC will maintain separate manufacturing, distribution, and management structures, from the rest of the consolidated Company.

Distribution operating income improvement for the second quarter and first half of 2011 as compared to the second quarter and first half of 2010, primarily reflected the favorable gross profit impact of the above-noted increased sales in 2011. The operating income rate reflects a largely stable gross profit rate, hindered by rising commodity prices and pricing pressure, partially improved by increased fixed-cost leverage, as such costs were spread over a higher overall net sales base for 2011.

OEM operating income improvement for the second quarter and first half of 2011 as compared to the second quarter and first half of 2010, primarily reflected the favorable gross profit impact of the above-noted increased sales and volume in 2011. The increase in the operating income rate reflects a largely stable gross profit rate, partially improved by increased fixed-cost leverage, as such costs were spread over a higher overall net sales base for 2011.

TRC recorded an operating loss of \$0.8 million for the approximately six-week period between the date of TRC's acquisition through the June 30, 2011 quarter end, primarily reflective of the impact of amortization expense brought about by the recognition of intangible assets, and restructuring expenses.

Interest expense

We incurred increased interest expense due to higher average outstanding borrowings for the first half of 2011 compared to the same period last year.

Loss on extinguishment of 2012 Senior Notes

We recorded an \$8.6 million loss in the second quarter of 2010 resulting from our issuance of \$275.0 million in 2018 Senior Notes and the corresponding extinguishment of our outstanding 2012 Senior Notes.

Gain on available for sale securities

In the second quarter of 2011, prior to the acquisition of TRC, the Company owned 0.3 million shares of TRC common stock worth \$7.20 per share as a result of the agreed upon purchase price. In accordance with relevant accounting guidance, the fair value of the previously owned investment was included in the total purchase price. As a result of the acquisition of TRC, we recognized a gain of \$0.8 million on the difference between our cost basis and the fair value at the acquisition date.

Other income (loss), net

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We recorded other income (loss) reflecting the exchange rate impact on our Canadian subsidiary.

Income tax expense (benefit)

The decrease in our tax rate for the second quarter and first half of 2011, as compared to the same respective periods of 2010, reflects an increase in our pre-tax income in 2011 as well as decrease in our protected annual effective tax rate for the year and the impact of a \$753 non-taxable gain on our approximate 4.9% equity holdings in TRC at the time of the acquisition, as previously discussed.

The following is a reconciliation for the periods indicated of cash flow from operating activities, as determined in accordance with GAAP, to EBITDA.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|---------------------|------------------------------|---------------------|
| | 2011 (Thousands) | 2010 (Thousands) | 2011 (Thousands) | 2010 (Thousands) |
| Net cash flow from operating activities | \$ 2,878 | \$ (1,543) | \$ (14,719) | \$ (7,373) |
| Interest expense | 7,126 | 6,970 | 14,098 | 13,502 |
| Income tax expense (benefit) | 1,861 | 1,776 | 4,384 | (638) |
| Deferred taxes | 1,123 | (1,739) | 2,577 | 657 |
| Gain (loss) on disposal of fixed assets | 4 | 3 | 5 | (476) |
| Share-based compensation expense | (2,342) | (724) | (3,519) | (1,084) |
| Loss on extinguishment of debt | | | | (8,566) |
| Gain on available for sale securities | 753 | | 753 | |
| Foreign currency transaction gain (loss) | (45) | (241) | 86 | (114) |
| Amortization of debt issuance costs (a) | (495) | (537) | (1,031) | (1,037) |
| Changes in operating assets and liabilities | 7,115 | 12,169 | 34,372 | 26,464 |
| EBITDA | \$ 17,978 | \$ 16,134 | \$ 37,006 | \$ 21,335 |

- (a) Amortization of debt issuance costs are included within depreciation and amortization for cash flow presentation, and are included as a component of interest expense for income statement presentation.

Liquidity and Capital Resources

Debt

The following summarizes long-term debt (including current portion and capital lease obligations) outstanding in thousands of dollars:

| | As of June 30, 2011 | As of December 31, 2010 |
|--|---------------------------|-------------------------------|
| Revolving credit facility expiring April 2, 2012 | \$ 50,364 | \$ |
| Senior notes due February 15, 2018 | 272,040 | 271,815 |
| Capital lease obligations | 8 | 12 |
| Total long-term debt, including current portion | \$ 322,412 | \$ 271,827 |

As of June 30, 2011, we had a total of \$5.7 million in cash and cash equivalents and \$50.4 million in outstanding borrowings under our Revolving Credit Facility. Also, as of June 30, 2011, we have no required debt repayments until our Senior Notes mature in 2018.

Revolving Credit Facility

Our Senior Secured Revolving Credit Facility (Revolving Credit Facility), which expires April 2, 2012, is a senior secured facility that provides for aggregate borrowings of up to \$200.0 million, subject to certain limitations as discussed below. The proceeds from the Revolving Credit Facility are available for working capital and other general corporate purposes, including acquisitions.

The interest rate charged on borrowings under the Revolving Credit Facility is based on our election of either the lender's prime rate plus a range of 1.25% to 1.75% or the Eurodollar rate plus a range of 2.50% to 3.00%, in each case based on quarterly average excess availability under the Revolving Credit Facility. In addition, we pay a 0.50% unused line fee pursuant to the terms of the Revolving Credit Facility for unutilized availability.

Pursuant to the terms of the Revolving Credit Facility, we are required to maintain a minimum of \$10.0 million in excess availability under the facility at all times. Borrowing availability under the Revolving Credit Facility is limited to the lesser of (1) \$200.0 million or (2) the sum of 85% of eligible accounts receivable, 55% of eligible inventory and an advance rate to be determined of certain appraised fixed assets, with a \$10.0 million sublimit for letters of credit. Borrowing availability under the Revolving Credit Facility for foreign subsidiaries is limited to the greater of (1) the sum of 85% of the aggregate book value of accounts receivable of such foreign subsidiaries plus 60% of the aggregate book

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value of the inventory of such foreign subsidiaries and (2) \$25.0 million (excluding permitted intercompany indebtedness of such foreign subsidiaries).

The Revolving Credit Facility is guaranteed by CCI International, Inc. (CCI International), a 100% owned domestic subsidiary, and is secured by substantially all of our assets and the assets of CCI International, including accounts receivable, inventory and any other tangible and intangible assets (including real estate, machinery and equipment and intellectual property) as well as by a pledge of all the capital stock of CCI International and 65% of the capital stock of our Canadian foreign subsidiary, but not our Chinese 100%-owned entity.

The Revolving Credit Facility contains financial and other covenants that limit or restrict our ability to pay dividends or distributions, incur indebtedness, permit liens on property, make investments, provide guarantees, enter into mergers, acquisitions or consolidations, conduct asset sales, enter into leases or sale and lease back transactions, and enter into transactions with affiliates. In addition to maintaining a minimum of \$10.0 million in excess availability under the facility at all times, the financial covenants in the Revolving Credit Facility require us to maintain a fixed charge coverage ratio of not less than 1.1 to 1.0 for any month during which our excess availability under the Revolving Credit Facility falls below \$30.0 million. We maintained greater than \$30.0 million of monthly excess availability during the second quarter of 2011.

As of June 30, 2011, we were in compliance with all of the covenants of our Revolving Credit Facility.

On August 4, 2011, we entered into a new \$250.0 million, five-year revolving credit facility agreement with an accordion feature that allows us to increase our borrowings by an additional \$50.0 million (the 2016 Revolver). The 2016 Revolver, which matures on October 1, 2016, is an asset-based loan facility, with a \$20.0 million Canadian facility sublimit, and which is secured by substantially all of our assets, as further detailed below. We expect to incur around \$1.5 million in fees related to renegotiating the 2016 Revolver. These respective fees will be amortized over the life of the revolver.

The interest rate charged on borrowings under the 2016 Revolver is based on our election of either the lender's prime rate plus a range of 0.25% to 0.75% or the Eurodollar rate plus a range of 1.50% to 2.00%, in each case based on quarterly average excess availability under the 2016 Revolver. In addition, we pay an unused line fee of between 0.25% and 0.50% based on quarterly average excess availability pursuant to the terms of the 2016 Revolver.

Pursuant to the terms of the 2016 Revolver, we are required to maintain a fixed charge covenant ratio of not less than 1.0 to 1.0 for any month during which our excess availability under the 2016 Revolver is \$30.0 million. Borrowing availability under the Revolving Credit Facility is limited to the lesser of (1) \$250.0 million or (2) the sum of 85% of eligible accounts receivable, 70% of eligible inventory, and capped at \$150.0 million for the U.S. portion and \$12.0 million Canadian for the Canadian portion, and an advance rate to be 75% of certain appraised real estate and 85% of certain appraised equipment, with a \$15.0 million sublimit for letters of credit.

The 2016 Revolver is guaranteed by TRC (excluding TRC's 100%-owned foreign subsidiary, TRC Honduras, S.A. de C.V.) and Patco Electronics (Patco), each of which are 100%-owned domestic subsidiaries, and is secured by substantially all of our assets and the assets of both TRC and Patco, including accounts receivable, inventory and any other tangible and intangible assets (including real estate, machinery and equipment and intellectual property) as well as by a pledge of all the capital stock of TRC and Patco and 65% of the capital stock of our Canadian foreign subsidiary, but not our Chinese 100%-owned entity.

The 2016 Revolver creates greater flexibility than our current Revolving Credit Facility in many respects, including, without limitation, as to the representations and warranties and event of default triggers contained therein, as well as the financial covenants and the covenants that restrict our ability to pay dividends or distributions, permit liens on property, make investments, provide guarantees, enter into merger, acquisitions or consolidations, conduct asset sales, enter into leases or sale and leaseback transactions and enter into transactions with affiliates. In particular, pursuant to the 2016 Revolver: (i) we are no longer required to maintain a minimum of \$10.0 million in excess availability at all times (ii) our general permitted indebtedness basket has been increased from \$10.0 million to \$25.0 million and (iii) we are now able to dispose of up to 15% of our consolidated assets in any fiscal year so long as we maintain (a) excess availability of the greater of \$40.0 million and 15% of the commitments under the 2016 Revolver and (b) a fixed charge coverage ratio of at least 1.0 to 1.0. In addition, both the excess availability and fixed charge coverage tests that limit our ability to enter into acquisitions, make investments, repurchase the Senior Notes and pay dividends have been reduced under the 2016 Revolver from those set forth in the current Revolving Credit Facility.

9% Senior Notes due 2018 (Senior Notes)

Our Senior Notes mature on February 15, 2018 and have an aggregate principal amount of \$275.0 million and a 9% coupon rate. Interest payments are due on February 15th and August 15th. As of June 30, 2011, we were in compliance with all of the covenants of our Senior Notes. Our Senior Notes were issued at a discount in 2010, resulting in proceeds of less than par value. This discount is being amortized to par value over the remaining life of the Senior Notes.

The Indenture relating to our Senior Notes contains customary covenants that limit us and our restricted subsidiaries from, among other things, incurring additional indebtedness, making restricted payments, creating liens, paying dividends, consolidating, merging or selling substantially all of their assets, entering into sale and leaseback transactions, and entering into transaction with affiliates. Additionally, all our domestic

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restricted subsidiaries that guarantee the 2016 Revolver are required under the Indenture to guarantee our obligations under the Senior Notes. Following our entry into the 2016 Revolver, TRC and Patco will become subsidiary guarantors of the Senior Notes.

Current and Future Liquidity

In general, we require cash for working capital, capital expenditures, debt repayment and interest. Our working capital requirements tend to increase when we experience significant increased demand for products or significant copper price increases. Accordingly, we may be required to borrow against our 2016 Revolver in the future upon the occurrence of various events, including increases in the price of copper, which increase our working capital requirements. Our management assesses the future cash needs of our business by considering a number of factors, including: (1) historical earnings and cash flow performance, (2) future working capital needs, (3) current and projected debt service expenses, (4) planned capital expenditures, and (5) our ability to borrow additional funds under the terms of our Revolving Credit Facility.

Recently we have had to rely on borrowings from the Revolver due to higher working capital requirements, driven mainly by higher average copper prices, and among other things, acquisition-related costs. We believe that a settling of commodity prices and containment of acquisition related-costs will allow us to create sufficient operating cash flows in future periods. Based on the foregoing, we believe that our operating cash flows and borrowing capacity under the 2016 Revolver will be sufficient to fund our operations, meet our debt service requirements and fund our planned capital expenditures and strategic acquisitions for the foreseeable future. As of June 30, 2011, we had \$50.4 million in outstanding borrowings against our \$200.0 million Revolving Credit Facility and a corresponding \$93.4 million in excess availability under the Revolving Credit Facility, and \$5.7 million in cash and cash equivalents.

If we experience a deficiency in earnings compared to our fixed charges in the future, we would need to fund the fixed charges through a combination of cash flows from operations and borrowings under the Revolving Credit Facility. If cash flows generated from our operations, together with borrowings under our Revolving Credit Facility, are not sufficient to fund our operations, meet our debt service requirements and fund our planned capital expenditures, and we need to seek additional sources of capital, the limitations on our ability to incur debt contained in the Revolving Credit Facility and the Indenture relating to our 2018 Senior Notes could prevent us from securing additional capital through the issuance of debt. In that case, we would need to secure additional capital through other means, such as the issuance of equity. In addition, we may not be able to obtain additional debt or equity financing on terms acceptable to us, or at all. If we were not able to secure additional capital, we could be required to delay or forego capital spending or other corporate initiatives, such as the development of products, or acquisition opportunities.

We intend to file in the near future a shelf registration statement with the Securities and Exchange Commission (the SEC) for the sale in the future of debt and equity securities in an amount not to exceed \$250 million. The purpose of this filing is to enhance our future liquidity position. We have no present intention to commence an offering of debt or equity securities.

Our Revolving Credit Facility permits us to redeem, retire or repurchase our Senior Notes subject to certain limitations. We may repurchase Senior Notes in the future, but whether we do so will depend on a number of factors and there can be no assurance that we will repurchase any amounts of our Senior Notes.

On August 3, 2011, our board of directors authorized the purchase over the next 24 months of up to 0.5 million shares of the Company's common stock in open market or privately negotiated transactions. There can be no assurance that any share purchases will be made. The number of shares actually purchased will depend on various factors, including limitations imposed by the Company's debt instruments, the price of our common stock, overall market and business conditions and management's assessment of competing alternatives for capital deployment.

Net cash used by operating activities for the six months ended June 30, 2011 was \$14.7 million as compared to \$7.4 million for the first half of 2010. The \$7.3 million decline in cash provided by operating activities for the first half of 2011 as compared to 2010 was largely a result of the impact of changes in working capital items, primarily changes in inventory and accounts receivable. Our consolidated inventory levels measured in copper pounds as of June 30, 2011 increased from levels at December 31, 2010 and resulted in a net use of approximately \$23.9 million in operating cash flows during the first half of 2011. Similarly, our receivables balance increased from levels at December 31, 2010, and resulted in the use of approximately \$15.4 million in operating cash flows during the first half of 2011.

Net cash used in investing activities for the first half of 2011 was \$63.7 million, primarily due to the 2011 Acquisitions, as discussed above. During 2011, we purchased no investments, as compared to \$1.3 million in investments during the first half of 2010. We expect our 2011 capital expenditures to total between \$12.0 million and \$16.0 million for the fiscal year ending December 31, 2011. This reflects a significant increase in expected quarterly spending as compared to \$3.0 million spent for the six months ended June 30, 2010. The increase in expected capital spending reflects recent opportunities to selectively add capacity and reduce costs.

Net cash provided by financing activities for the first half of 2011 was \$50.4 million. During the first half of 2011, a net \$50.4 million was provided by borrowing against the revolving credit facility, in order to fund the 2011 acquisitions. During the first half of 2010, \$23.4 million was provided by financing activities, due primarily to the refinancing of our Senior Notes during the first half of 2011.

Adoption of 10b5-1 Trading Plans

The Company wishes to report that certain of its executives, including its Chief Executive Officer and Chief Financial Officer, intend to set up trading plans for the sale of a portion of their holdings of Company stock at prices above current market prices. These executives have advised the Company that, in setting up their trading plans, they are acting for estate planning, asset diversification and liquidity purposes. As required Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, a person may not adopt a trading plan when he or she has material non-public information about the Company or its common stock. Sales under these trading plans will be disclosed publicly through Form 144 and Form 4 filings with the SEC.

Cautionary Note Regarding Forward-Looking Statements

Various statements contained in this report, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These statements may be identified by the use of forward-looking terminology such as anticipate, believe, continue, could, estimate, expect, intend, may, might, plan, potential, predict, should, or the negative variations thereon or comparable terminology. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this report, including certain statements contained in Management's Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements.

We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors, including those discussed under Item 1A. Risk Factors, and elsewhere in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (available at www.sec.gov), may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements.

Some of the key factors that could cause actual results to differ from our expectations include:

fluctuations in the supply or price of copper and other raw materials;

increased competition from other wire and cable manufacturers, including foreign manufacturers;

pricing pressures causing margins to decrease;

adverse changes in general economic and capital market conditions;

failure of customers to make expected purchases, including customers of acquired companies;

changes in the cost of labor or raw materials, including PVC and fuel;

failure to identify, finance or integrate acquisitions;

failure to accomplish integration activities on a timely basis;

failure to achieve expected efficiencies in our manufacturing and integration consolidations;

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unforeseen developments or expenses with respect to our acquisition, integration and consolidation efforts;

increase in exposure to political and economic development crises, instability, terrorism, civil strife, expropriation, and other risks of doing business in foreign markets;

impact of foreign currency fluctuations and changes on exchange rates; and

other risks and uncertainties, including those described under **Item 1A. Risk Factors** in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

In addition, any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change and, therefore, you should not rely on these forward-looking statements as representing our views as of any date subsequent to today.

ITEM 4. Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of June 30, 2011. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There were no changes in our internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(d) and 15d-15(f)) during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

We are involved in legal proceedings and litigation arising in the ordinary course of business. In those cases in which we are the defendant, plaintiffs may seek to recover large and sometimes unspecified amounts or other types of relief and some matters may remain unresolved for several years. We believe that none of the litigation that we now face, individually or in the aggregate, will have a material effect on our consolidated financial position, cash flow or results of operations. We maintain insurance coverage for litigation that arises in the ordinary course of our business and believe such coverage is adequate.

ITEM 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, the reader should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our annual Report on Form 10-K for the fiscal year ended December 31, 2010. There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

ITEM 6. Exhibits

See Index to Exhibits.

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.

COLEMAN CABLE, INC.

(Registrant)

Date: August 5, 2011

By

/s/ **G. GARY YETMAN**
Chief Executive Officer and President

Date: August 5, 2011

By

/s/ **RICHARD N. BURGER**
Chief Financial Officer, Executive
Vice President, Secretary and Treasurer

INDEX TO EXHIBITS

| Item No. | Description |
|-----------------|---|
| 3.1 | Certificate of Incorporation of Coleman Cable, Inc., as filed with the Delaware Secretary of State on October 10, 2006, incorporated herein by reference to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006. |
| 3.2 | Amended and Restated By-Laws of Coleman Cable, Inc., incorporated herein by reference to our Current Report on Form 8-K as filed on May 5, 2010. |
| 10.1 * | Coleman Cable, Inc. Long-Term Incentive Plan, as amended and restated effective April 28, 2011, incorporated herein by reference to our Current Report on Form 8-K as filed on May 3, 2011. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Financial statements from the quarterly report on Form 10-Q of the Company for the quarter ended June 30, 2011, filed on August 5, 2011, formatted in XBRL: (i) the Condensed Consolidated Statements of Income; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to Condensed Consolidated Financial Statements furnished herewith. |

* Denotes management contract or compensatory plan or arrangement.