

ENCORE WIRE CORP  
Form 10-K  
March 05, 2010

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

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

**For the fiscal year ended December 31, 2009**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 000-20278  
ENCORE WIRE CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

75-2274963  
(I.R.S. Employer  
Identification No.)

1329 Millwood Road  
McKinney, Texas  
(Address of principal executive offices)

75069  
(Zip Code)

Registrant's telephone number, including area code: (972) 562-9473

Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
Common Stock, par value \$.01 per share

Name of each exchange on which registered  
The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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

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

**Note** Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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 than 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 corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No  
The aggregate market value of the Common Stock held by non-affiliates of the registrant computed by reference to the price at which the Common Stock was last sold as of the last business day of the registrant's most recently completed second fiscal quarter was \$214,767,400 (Note: The aggregate market value of Common Stock held by the Company's directors, executive officers, immediate family members of such directors and executive officers and 10% or greater stockholders was excluded from the computation of the foregoing amount. The characterization of such persons as affiliates should not be construed as an admission that any such person is an affiliate of the Registrant for any other purpose).

Number of shares of Common Stock outstanding as of March 5, 2010: 23,159,052

DOCUMENTS INCORPORATED BY REFERENCE

Listed below are documents, parts of which are incorporated herein by reference, and the part of this report into which the document is incorporated:

- (1) Proxy statement for the 2010 annual meeting of stockholders Part III
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**PART I**

**Item 1. Business.**

**General**

Encore Wire Corporation is a Delaware corporation, incorporated in 1989, with its principal executive office and manufacturing plants located at 1329 Millwood Road, McKinney, Texas 75069. The Company's telephone number is (972) 562-9473. As used in this annual report, unless otherwise required by the context, the terms "Company," "Encore" and "Encore Wire" refer to Encore Wire Corporation and its consolidated entities.

Encore is a low-cost manufacturer of copper electrical building wire and cable. The Company is a significant supplier of building wire for interior electrical wiring in homes, apartments, manufactured housing, and in commercial and industrial buildings.

The principal customers for Encore's wire are wholesale electrical distributors, who sell electric building wire and a variety of other products to electrical contractors. The Company sells its products primarily through independent manufacturers' representatives located throughout the United States and, to a lesser extent, through its own direct in-house marketing efforts.

Encore's strategy is to further expand its share of the markets for building wire primarily by emphasizing a high level of customer service and low-cost production and the addition of new products that complement its current product line. The Company maintains product inventory levels sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills customer orders are key competitive advantages critical to marketing its products. Encore's low-cost production capability features an efficient plant design incorporating highly automated manufacturing equipment, an integrated production process and an incentivized work force.

**Strategy**

Encore's strategy for expanding its share of the building wire markets emphasizes customer service and product innovations coupled with low-cost production.

*Customer Service.* Responsiveness to customers is a primary focus of Encore, with an emphasis on building and maintaining strong customer relationships. Encore seeks to establish customer loyalty by achieving a high order fill rate and rapidly handling customer orders, shipments, inquiries and returns. The Company maintains product inventories sufficient to meet anticipated customer demand and believes that the speed and completeness with which it fills orders are key competitive advantages critical to marketing its products.

*Product Innovation.* Encore has been a leader in bringing new ideas to a commodity product. Encore pioneered the widespread use of color feeder sizes of commercial wire and colors in the residential non-metallic wires. The colors have improved on the job safety and reduced installation times for contractors. Encore Wire's new patent pending SmartColor ID system is the industry's smartest and easiest color-coded MC and AC cable identification system.

*Low-Cost Production.* Encore's low-cost production capability features an efficient plant design and an incentivized work force.

*Efficient Plant Design.* Encore's highly automated wire manufacturing equipment is integrated in an efficient design that reduces material handling, labor and in-process inventory.

*Incentivized Work Force.* Encore's hourly manufacturing employees are eligible to receive incentive pay tied to productivity and quality standards. The Company believes that this compensation program enables the plant's manufacturing lines to attain high output and motivates manufacturing employees to continually maintain product quality. The Company also believes that its prior stock option plans enhanced the motivation of its salaried manufacturing supervisors. The Company has coupled these incentives with a comprehensive safety program that emphasizes employee participation. The Company provides a 401(k) retirement savings plan to all employees with at least one year of service.

**Products**

Encore offers an electric building wire product line that consists primarily of NM-B cable, UF-B cable, THWN-2 and other types of wire products, including armored cable. The Company's NM-B, UF-B, THWN-2 and armored cable are all manufactured with copper as the conductor. The Company also purchases small quantities of other types of wire to re-sell to customers that buy products that the Company manufactures. The Company maintains approximately



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9,000 stock-keeping units ( SKUs ) of building wire. The principal bases for differentiation among SKUs are product diameter, insulation, color and packaging.

*NM-B Cable.* Non-metallic sheathed cable is used primarily as interior wiring in homes, apartments and manufactured housing. NM-B cable is composed of either two or three insulated copper wire conductors, with or without an un-insulated ground wire, all sheathed in a polyvinyl chloride ( PVC ) jacket.

*UF-B Cable.* Underground feeder cable is used to conduct power underground to outside lighting and other applications remote from buildings. UF-B cable is composed of two or three PVC insulated copper wire conductors, with or without an un-insulated ground wire, all jacketed in PVC.

*THWN-2 Cable.* THWN-2 cable is used primarily as feeder, circuit and branch wiring in commercial and industrial buildings. It is composed of a single conductor, either stranded or solid, and insulated with PVC, which is further coated with nylon. Users typically pull THWN-2 cable through protective pipe or conduit.

*XHHW-2 Cable* XHHW-2 wire is intended for general purpose applications utilized in conduit or other recognized raceways for service, feeders, and branch-circuit wiring. It is composed of a single conductor, either stranded or solid and with a single layer of cross-linked polyethylene (XLPE) insulation.

*USE-2 Cable.* USE-2 or RHH or RHW-2 wire is intended for general purpose applications utilized in conduit or installed in underground applications or in recognized raceways for service, feeders, and branch-circuit wiring. It is composed of a single conductor, either stranded or solid and with a single layer of cross-linked polyethylene (XLPE) insulation suitable for wet locations.

*Armored Cable.* Armored cable is used primarily as feeder, circuit and branch wiring, primarily in commercial and industrial buildings. It is composed of multiple conductors, either stranded or solid, and insulated with PVC, which are further coated with nylon and then fully encased in a flexible aluminum or steel armored protective sheath that eliminates the need to pull the wire through pipe or conduit.

*Photovoltaic Cable.* Photovoltaic style cables are designed to meet the different needs of the emerging Solar Industry by providing connections between PV panels, collector boxes and inverters; and where also allowed by the National Electric Code (NEC).

**Manufacturing**

The efficiency of Encore's highly automated manufacturing facility is a key element of its low-cost production capability. Encore's residential wire manufacturing lines have been integrated so that the handling of product is substantially reduced throughout the production process.

The manufacturing process for the Company's various products involves multiple steps, including: casting, drawing, stranding, compounding, insulating, jacketing and armoring.

*Casting.* Rod is produced by melting sheets of copper cathode and copper scrap, casting the molten copper into a bar and rolling the hot copper bar into a 5/16 inch copper rod to be drawn into copper wire.

*Drawing.* Drawing is the process of reducing 5/16 inch copper rod through converging dies until the specified wire diameter is attained. The wire is then heated with electrical current to soften or anneal the wire to make it easier to handle.

*Stranding.* Stranding is the process of twisting together from seven to sixty-one individual wire strands to form a single cable. The purpose of stranding is to improve the flexibility of wire while maintaining its electrical current carrying capacity.

*PVC Compounding.* PVC compounding is the process of mixing the various raw materials that are required to produce the PVC necessary to meet U/L specifications for the insulation and jacket requirements for the wire that is manufactured.

*Insulating.* Insulating is the process of extruding first PVC and then nylon (where applicable) over the solid or stranded wire.

*Jacketing.* Jacketing is the process of extruding PVC over two or more insulated conductor wires, with or without an un-insulated ground wire, to form a finished product. The Company's jacketing lines are integrated with packaging lines that cut the wire and coil it onto reels or package it in boxes or shrink-wrap.



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*Armoring.* Armoring is the process of covering two or more insulated conductor wires, with or without an un-insulated ground wire, with a spiral interlocking cover of aluminum or steel to form a finished product.

Encore manufactures and tests all of its products in accordance with the standards of Underwriters Laboratories, Inc. ( U/L ), a nationally recognized testing and standards agency. Encore s machine operators and quality control inspectors conduct routine product tests. The Company tests finished products for electrical continuity to ensure compliance with its own quality standards and those of U/L. Encore s manufacturing lines are equipped with laser micrometers to measure wire diameter and insulation thickness while the lines are in operation. During each shift, operators perform and record routine physical measurements of products, all of which are separately verified and approved by quality control inspectors. Although suppliers pretest PVC and nylon compounds, the Company tests products for aging, cracking and brittleness of insulation and jacketing.

### Customers

Encore sells its wire principally to wholesale electrical distributors throughout the United States and, to a lesser extent, to retail home improvement centers. Most distributors supply products to electrical contractors. No customer accounted for more than ten percent of net sales in 2009.

Encore believes that the speed and completeness with which it fills customers orders is crucial to its ability to expand the market share for its products. The Company also believes that, in order to reduce costs, many customers do not maintain substantial inventories. Because of this trend, the Company seeks to maintain sufficient inventories to satisfy customers prompt delivery requirements.

### Marketing and Distribution

Encore markets its products throughout the United States primarily through independent manufacturers representatives and, to a lesser extent, through its own direct marketing efforts.

Encore maintains the majority of its finished product inventory at its plant in McKinney, Texas. In order to provide flexibility in handling customer requests for immediate delivery of the Company s products, additional product inventories are maintained at warehouses owned and operated by independent manufacturers representatives located throughout the United States. As of December 31, 2009, additional product inventories are maintained at the warehouses of independent manufacturers representatives located in Chattanooga, Tennessee; Norcross, Georgia; Cincinnati, Ohio; Detroit, Michigan; Edison, New Jersey; Louisville, Kentucky; Greensboro, North Carolina; Pittsburgh, Pennsylvania; Santa Fe Springs, California; and Hayward, California. Some of these manufacturers representatives, as well as the Company s other manufacturers representatives, maintain offices without warehouses in numerous locations throughout the United States.

Finished goods are typically delivered to warehouses and customers by trucks operated by common carriers. The decision regarding the carrier to be used is based primarily on cost and availability.

The Company invoices its customers directly for products purchased and, if an order has been obtained through a manufacturer s representative, pays the representative a commission based on pre-established rates. The Company determines customer credit limits. The Company s bad debt experience in 2009, 2008, and 2007 was 0.00%, 0.13%, and 0.003% of net sales, respectively. The manufacturers representatives have no discretion to increase customer credit limits or to determine prices charged for the Company s products, and all sales are subject to approval by the Company. Encore sells all of its products with a one-year replacement warranty. Warranty expenses have historically been nominal.

### Employees

Encore believes that its hourly employees are highly motivated and that their motivation contributes significantly to the plant s efficient operation. The Company attributes the motivation of these employees largely to the fact that a significant portion of their compensation comes from incentive pay that is tied to productivity and quality standards. The Company believes that its incentive program focuses its employees on maintaining product quality.

As of December 31, 2009, Encore had 669 employees, 555 of whom were paid hourly wages and were primarily engaged in the operation and maintenance of the Company s manufacturing and warehouse facility. The rest of the Company s employees were executive, supervisory, administrative, sales and clerical personnel. The Company considers its relations with its employees to be good. The Company has no collective bargaining agreements with any of its employees.



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### **Raw Materials**

The principal raw materials used by Encore in manufacturing its products are copper cathode, copper scrap, PVC thermoplastic compounds, aluminum, steel, paper and nylon, all of which are readily available from a number of suppliers. Copper is the principal raw material used by the Company in manufacturing its products, constituting nearly 90% of the dollar value of all raw materials used by the Company during 2009. Copper requirements are purchased primarily from miners and commodity brokers at prices determined each month primarily based on the average daily COMEX closing prices for copper for that month, plus a negotiated premium. The Company also purchases raw materials necessary to manufacture various PVC thermoplastic compounds. These raw materials include PVC resin, clay and plasticizer.

The Company produces copper rod from purchased copper cathodes and copper scrap in its own rod fabrication facility. The Company reprocesses copper scrap generated by its operations and copper scrap purchased from others. In 2009, the Company's copper rod fabrication facility manufactured the majority of the Company's copper rod requirements.

The Company also compounds its own wire jacket and insulation compounds. The process involves the mixture of PVC raw material components to produce the PVC used to insulate the Company's wire and cable products. The raw materials include PVC resin, clay and plasticizer. During the last year, the Company's plastic compounding facility produced virtually all of the Company's PVC requirements.

### **Competition**

The electrical wire and cable industry is highly competitive. The Company competes with several companies who manufacture and sell wire and cable products beyond the building wire segment in which the Company competes. The Company's primary competitors include Southwire Company, Cerro Wire LLC, United Copper Industries and AFC Cable Systems, Inc.

The principal elements of competition in the electrical wire and cable industry are, in the opinion of the Company, pricing, order fill rate, quality, and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors.

Competition in the electrical wire and cable industry, although intense, has been primarily from U.S. manufacturers, including foreign owned facilities located in the United States. The Company has encountered little significant competition from imports of building wire. The Company believes this is primarily because direct labor costs generally account for a relatively small percentage of the cost of goods sold for these products.

### **Intellectual Property Matters**

The Company owns the following federally registered trademarks with the U.S. Patent and Trademark Office: U.S. Registration Number 2,687,746 for the ENCORE WIRE mark; U.S. Registration Number 2,528,340 for the NONLEDEX mark; U.S. Registration Number 1,900,498 for the Miscellaneous Design mark; U.S. Registration Number 2,263,692 for the HANDY MAN'S CHOICE mark; U.S. Registration Number 3,652,394 for the MCMP MULTIPURPOSE (Stylized) mark; and U.S. Registration Number 3,616,771 for the SUPER SLICK mark. The current terms of trademark protection for these marks will expire on various dates between 2012 and 2019, but each term can be renewed indefinitely as long as the respective mark continues to be used in commerce. The Company also owns the following pending applications: Application Number 77/735,022 for the EMERGMCMC mark, which was filed on May 12, 2009 and for which a Notice of Allowance was issued on December 15, 2009; Application Number 77/704,999 for the HCF-MCMP MULTIPURPOSE mark, which was filed on April 2, 2009 and for which a Notice of Allowance was issued on December 22, 2009; Application Number 77/779,397 for the HCF-MP MULTIPURPOSE mark, which was filed on July 13, 2009 and which was published for opposition on January 26, 2010; Application Number 77/678,427 for the SMARTCOLOR ID mark, which was filed on February 25, 2009 and for which a Notice of Allowance was issued on February 9, 2010; Application Number 77/856,196 for the SUPER SLICK mark, which was filed on October 23, 2009; Application Number 77/857,135 for the SUPER SUPERSLICK mark, which was filed on October 26, 2009; Application Number 77/857,114 for the SUPERBOND MC mark, which was filed on October 26, 2009; Application Number 77/857,146 for the SUPERSLICK ELITE mark, which was filed on October 26, 2009; Application Number 77/857,134 for the SUPERSLICK II mark, which was filed on October 26, 2009; Application Number 77/790,370 for the ENCORE PERFORMANCE mark, which was filed on July 27, 2009;

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Application Number 77/857,121 for the SUPERBOND MCMP mark, which was filed on October 26, 2009; Application Number 77/857,126 for the SUPERBOND MCMP MULTIPURPOSE mark, which was filed on October 26, 2009; Application Number 77/907,735 for the SMARTSLICK TECHNOLOGY mark, which was filed on January 8, 2010; Application Number 77/907,931 for the SUPERSLICK TECHNOLOGY mark, which was filed on January 8, 2010; Application Number 77/942.361 for the HCF-SG SMARTGROUND mark, which was filed on February 23, 2010; and Application

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Number 77/942,353 for the MC-SG SMARTGROUND mark, which was filed on February 23, 2010. These trademarks provide source identification for the goods manufactured and sold by the Company and allow the Company to achieve brand recognition within the industry.

Although the Company has filed patent applications with the United States Patent and Trademark Office, it does not currently hold any patented intellectual property.

### **Internet Address/SEC Filings**

The Company's Internet address is <http://www.encorewire.com>. Under the Investors section of our website, the Company provides a link to our electronic Securities and Exchange Commission (SEC) filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, director and officer beneficial ownership reports filed pursuant to Section 16 of the Securities Exchange Act of 1934, as amended, and any amendments to these reports. All such reports are available free of charge and are available as soon as reasonably practicable after the Company files such material with, or furnishes it to, the SEC.

The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

### **Item 1A. Risk Factors.**

The following are risk factors that could affect the Company's business, financial results and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before purchasing the Company's stock, an investor should know that making such an investment involves some risks, including the risks described below. If any of the risks mentioned below or other unknown risks actually occur, the Company's business, financial condition or results of operations could be negatively affected. In that case, the trading price of its stock could fluctuate significantly.

#### **Product Pricing and Volatility of Copper Market**

Price competition for copper electrical wire and cable is intense, and the Company sells its product in accordance with prevailing market prices. Wire prices can, and frequently do change on a daily basis. This competitive pricing market for wire does not always mirror changes in copper prices, making margins highly volatile. Copper, a commodity product, is the principal raw material used in the Company's manufacturing operations. Copper accounted for approximately 73.5% and 90.3% of its costs of goods sold during 2009 and 2008, respectively, and the Company expects that copper will continue to account for a significant portion of these costs in the future. The price of copper fluctuates, depending on general economic conditions and in relation to supply and demand and other factors, and causes monthly variations in the cost of copper purchased by the Company. The Company cannot predict copper prices in the future or the effect of fluctuations in the costs of copper on the Company's future operating results. Consequently, fluctuations in copper prices caused by market forces can significantly affect the Company's financial results. With the volatility of both raw material prices and wire prices in the Company's end market, hedging raw materials can be risky. Historically, the Company has not engaged in hedging strategies for raw material purchases.

#### **Operating Results May Fluctuate**

Encore's quarterly results of operations may fluctuate as a result of a number of factors, including fluctuation in the demand for and shipments of the Company's products. Therefore, quarter-to-quarter comparisons of results of operations have been and will be impacted by the volume of such orders and shipments. In addition, its operating results could be adversely affected by the following factors, among others, such as variations in the mix of product sales, price changes in response to competitive factors, increases in raw material costs and other significant costs, the loss of key manufacturer's representatives who sell the Company's product line, increases in utility costs (particularly electricity and natural gas) and various types of insurance coverage and interruptions in plant operations resulting from the interruption of raw material supplies and other factors.

#### **Reliance on Senior Management**

Encore's future operating results depend, in part, upon the continued service of its senior management, Mr. Daniel L. Jones, the President and Chief Executive Officer, and Mr. Frank J. Bilban, the Company's Vice President and Chief Financial Officer (neither of whom are bound by an employment agreement). The Company's future success will

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depend upon its continuing ability to attract and retain highly qualified managerial and technical personnel. Competition for such personnel is intense, and there can be no assurance that the Company will retain its key managerial and technical employees or that it will be successful in attracting, assimilating or retaining other highly qualified personnel in the future.

### **Industry Conditions and Cyclicity**

The residential, commercial and industrial construction industries, which are the end users of the Company's products, are cyclical and are affected by a number of factors including the general condition of the economy, market demand and changes in interest rates, among other factors. Industry sales of electrical wire and cable products tend to parallel general construction activity, which includes remodeling. Housing construction activity in the United States declined significantly in 2006 and continued its downward trend through 2009, adversely affecting the Company's business by reducing our customers' demand for our products. Commercial and Industrial construction activity began declining at the beginning of 2008 and continued to decrease through 2009, further reducing demand for our products. Unit volume, as measured in pounds of copper wire sold, declined 12% in 2008 versus 2007 and declined another 15.6% in 2009 versus 2008. The company believes that the volume of product sold declined primarily as a result of the slowdown in construction throughout the United States. The ongoing recession will likely have a negative impact on the housing and commercial building markets for the foreseeable future.

Deterioration in the financial condition of the Company's customers due to current industry and economic conditions may result in reduced sales, an inability to collect receivables and payment delays or losses due to a customer's bankruptcy or insolvency. Although the Company's bad debt experience has been relatively low even in recent years and no one customer represents more than 10% of net sales, the Company's inability to collect receivables may increase the amounts the Company must expense against its bad debt reserve, decreasing the Company's profitability. In 2008, the Company wrote off \$1.4 million in receivables which were uncollectible, almost entirely due to one customer. The downturn in the residential, commercial or industrial construction industries and general economic conditions as a whole may continue to have a material adverse effect on the Company.

### **Environmental Liabilities**

The Company is subject to federal, state and local environmental protection laws and regulations governing the Company's operations and the use, handling, disposal and remediation of hazardous substances currently or formerly used by the Company. A risk of environmental liability is inherent in the Company's current manufacturing activities in the event of a release or discharge of a hazardous substance generated by the Company. Under certain environmental laws, the Company could be held jointly and severally responsible for the remediation of any hazardous substance contamination at the Company's facilities and at third party waste disposal sites and could also be held liable for any consequences arising out of human exposure to such substances or other environmental damage. There can be no assurance that the costs of complying with environmental, health and safety laws and requirements in the Company's current operations or the liabilities arising from past releases of, or exposure to, hazardous substances, will not result in future expenditures by the Company that could materially and adversely affect the Company's financial results, cash flow or financial condition.

### **Competition**

The electrical wire and cable industry is highly competitive. The Company competes with several manufacturers of wire and cable products that have substantially greater resources than the Company. Some of these competitors are owned and operated by large, diversified companies. The principal elements of competition in the wire and cable industry are, in the opinion of the Company, pricing, product availability and quality and, in some instances, breadth of product line. The Company believes that it is competitive with respect to all of these factors. While the number of firms producing wire and cable has declined in the past, there can be no assurance that new competitors will not emerge or that existing producers will not employ or improve upon the Company's manufacturing and marketing strategy.

### **Patent and Intellectual Property Disputes**

Disagreements about patents and intellectual property rights occur in the wire and cable industry. The unfavorable resolution of a patent or intellectual property dispute could preclude the Company from manufacturing and selling certain products or could require the Company to pay a royalty on the sale of certain products. Patent and intellectual

property disputes could also result in substantial legal fees and other costs.



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### **Common Stock Price May Fluctuate**

Future announcements concerning Encore or its competitors or customers, quarterly variations in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, developments regarding proprietary rights, changes in earnings estimates by analysts or reports regarding the Company or its industry in the financial press or investment advisory publications, among other factors, could cause the market price of the Common Stock to fluctuate substantially. These fluctuations, as well as general economic, political and market conditions, such as recessions, world events, military conflicts or market or market-sector declines, may materially and adversely affect the market price of the Common Stock.

### **Beneficial Ownership of the Company's Common Stock by a Small Number of Stockholders**

A small number of significant stockholders beneficially own greater than 50% of the outstanding common stock of the Company. These stockholders, acting together, could be able to control the election of directors and all matters requiring majority approval by the Company's stockholders. The interests of this group of stockholders may not always coincide with the Company's interests or the interests of other stockholders.

In the future, these stockholders could sell large amounts of common stock over relatively short periods of time. Sales of substantial amounts of the Company's common stock in the public market by existing stockholders or the perception that these sales could occur, may adversely affect the market price of our common stock by creating a public perception of difficulties or problems with the Company's business.

### **Future Sales of Common Stock Could Affect the Price of the Common Stock**

No prediction can be made as to the effect, if any, that future sales of shares or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock, or the perception that such sales might occur, could adversely affect prevailing market prices of the Common Stock.

### **Item 1B. Unresolved Staff Comments.**

None

### **Item 2. Properties.**

Encore maintains its corporate office and manufacturing plant in McKinney, Texas, approximately 35 miles north of Dallas. The Company's facilities are located on a combined site of approximately 125 acres and consist of buildings containing approximately 1,396,000 square feet of floor space, of which approximately 81,000 square feet is used for office space and 1,315,000 square feet is used for manufacturing and warehouse operations. The plant and equipment are owned by the Company and are not mortgaged to secure any of the Company's existing indebtedness. Encore believes that its plant and equipment are suited to its present needs, comply with applicable federal, state and local laws and regulations, are properly maintained and adequately insured.

### **Item 3. Legal Proceedings.**

On July 7, 2009, Southwire Company, a Delaware corporation ( "Southwire" ), filed a complaint for patent infringement against the Company and Cerro Wire, Inc. in the United States District Court for the Eastern District of Texas. In the complaint, Southwire alleges that the Company has infringed one or more claims of United States Patent No. 7,557,301, entitled "Method of Manufacturing Electrical Cable Having Reduced Required Force for Installation," by making and selling electrical cables, including the Company's Super Slick cables. On February 5, 2010, the United States Patent and Trademark Office (the "USPTO") ordered the re-examination of the U.S. Patent 7,557,301. In ordering re-examination of Southwire's '301 patent, the USPTO has determined that the Company's submission of prior art not previously considered during the original examination of the '301 patent has raised a substantial new question of patentability of the claims of the '301 patent. In the re-examination, an Examiner in the USPTO will review the claims of the Southwire '301 patent and make a new determination of the patentability of those claims.

On August 24, 2009, Southwire filed a second complaint for patent and trademark infringement against the Company. In the second complaint, Southwire has alleged that the Company infringed one or more of the claims of United States Patent No. 6,486,395 entitled "Interlocked Metal Clad Cable" by making and selling electrical cables, including the Company's MCMP Multipurpose cables. Southwire has also alleged that the Company has infringed Southwire's United States Trademark registration for the mark, "MCAP", Registration No. 3,292,777. The second complaint also alleges violations of Federal, State and Common law unfair competition claims. The Company has filed counterclaims

against Southwire alleging claims of statutory and common law unfair competition violations, tortious interference with existing and prospective business relations, misappropriation and claims for declaratory relief. The complaints seek unspecified damages and injunctive relief. The Company disputes all of Southwire's claims and alleged damages and intends to vigorously defend the lawsuits and vigorously pursue its own claims. The Company is also a party to litigation and claims arising out of the ordinary business of the Company.

**Table of Contents****Item 4. (Removed and Reserved).****EXECUTIVE OFFICERS OF THE COMPANY**

Information regarding Encore's executive officers including their respective ages as of March 5, 2010, is set forth below:

Name	Age	Position with Company
Daniel L. Jones	46	President, Chief Executive Officer, and Member of the Board of Directors
Frank J. Bilban	53	Vice President Finance, Treasurer, Secretary, and Chief Financial Officer

*Mr. Jones* has held the title of President and Chief Executive Officer of the Company since February 2006. He performed the duties of the Chief Executive Officer in an interim capacity from May 2005 to February 2006. From May 1998 until February 2006, Mr. Jones was President and Chief Operating Officer of the Company. He previously held the positions of Chief Operating Officer from October 1997 until May 1998, Executive Vice President from May 1997 to October 1997, Vice President-Sales and Marketing from 1992 to May 1997, after serving as Director of Sales since joining the Company in November 1989. He has also served as a member of the Board of Directors since May 1994.

*Mr. Bilban* has served as Vice President-Finance, Treasurer, Secretary and Chief Financial Officer of Encore since June 2000. From 1998 until joining the Company in June 2000, Mr. Bilban was Executive Vice President and Chief Financial Officer of Alpha Holdings, Inc., a plastics manufacturing conglomerate. From 1996 until 1998, Mr. Bilban was Vice President and Chief Financial Officer of Wedge Dia-Log Inc., an oil field services company.

All executive officers are elected annually by the Board of Directors to serve until the next annual meeting of the Board or until their respective successors are chosen and qualified.

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

The Company's Common Stock is traded and quoted on the NASDAQ Stock Market's Global Select Market under the symbol WIRE. The following table sets forth the high and low closing sales prices per share for the Common Stock as reported by NASDAQ for the periods indicated.

	High	Low
2009		
First Quarter	\$22.88	\$15.83
Second Quarter	23.77	19.47
Third Quarter	24.28	20.00
Fourth Quarter	23.24	19.88
2008		
First Quarter	\$18.42	\$15.45
Second Quarter	24.71	18.05
Third Quarter	22.72	17.63
Fourth Quarter	19.51	13.56

As of March 4, 2010, there were 54 record holders of the Company's Common Stock.

The Company paid its first cash dividend in January 2007 and has continued paying quarterly dividends of two cents per share through 2009. Aside from periodic dividends, management intends to retain the majority of future earnings for the operation and expansion of the Company's business.

**Table of Contents****Issuer Purchases of Equity Securities**

On November 10, 2006, the Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to 1,000,000 shares of its common stock through December 31, 2007 on the open market or through privately negotiated transactions at prices determined by the President of the Company. The Company's Board of Directors has subsequently authorized annual extensions of this stock repurchase program through February 28, 2011 authorizing the Company to repurchase up to the remaining 610,000 shares of its common stock. On February 15, 2010, the Board of directors added an additional 2 million shares to this authorization, authorizing the Company to purchase up to 2,610,000 of its shares through February 28, 2011. The Company repurchased zero shares of its stock in 2009 and 265,600 shares of its stock in 2008.

**Equity Compensation Plan Information**

The following table provides information about the Company's equity compensation plans as of December 31, 2009.

PLAN CATEGORY	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	483,926	\$ 14.09	0
Equity compensation plans not approved by security holders	0	0	0
<b>TOTAL</b>	<b>483,926</b>	<b>\$ 14.09</b>	<b>0</b>

**Performance Graph**

The following graph is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, respectively.

The graph below sets forth the cumulative total stockholder return, which assumes reinvestment of dividends, of a \$100 investment in the Company's Common Stock, the Company's self-determined peer group for the year ended December 31, 2008 (the Old Peer Group), the Company's self-determined peer group for the year ended December 31, 2009 (the New Peer Group), the NASDAQ Stock Market (US Companies) Index and the Russell 2000 Index. The Old Peer Group consists of General Cable Corporation, Belden Inc. and Superior Essex Inc. For the year ended December 31, 2009, the Company changed the Old Peer Group by replacing Superior Essex Inc. with Coleman Cable, Inc. to form the New Peer Group. The Company changed its peer group, because LS Cable Ltd., a privately held company, acquired Superior Essex Inc. in August 2008, and Superior Essex Inc. was removed from listing on NASDAQ. The Company believes that Coleman Cable, Inc., one of the Company's peers in the wire and cable industry, is an appropriate company to substitute for Superior Essex Inc. The Company believes that although the companies included in the Old Peer Group and the New Peer Group engage in activities beyond the Company's

building wire line of business, they reasonably reflect the Company's peers in the wire and cable industry. For the year ended December 31, 2009, the Company also changed the broad equity market index with which it compares the Company's cumulative total return from the NASDAQ Stock Market (US Companies) to the Russell 2000 Index. The Company changed the broad equity market index, because the Company believes that, in light of the Company's market capitalization, the Russell 2000 Index is a more comparable index with which to compare the Company.

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		Initial	2005	2006	2007	2008	2009
Encore Wire Corporation	Return %		70.75	-3.30	-27.44	19.73	11.43
	Cum	\$ 100.00	170.75	165.11	119.81	143.45	159.85
Russell 2000 Index	Return %		4.56	18.35	-1.55	-33.80	27.19
	Cum	\$ 100.00	104.56	123.75	121.83	80.66	102.59
NASDAQ Stock Market (US Companies)	Return %		2.13	9.84	8.45	-51.80	43.76
	Cum	\$ 100.00	102.13	112.18	121.67	58.64	84.30
New Peer Group	Return %		25.24	86.85	44.55	-67.50	33.41
	Cum	\$ 100.00	125.24	234.00	338.25	109.93	146.65
Old Peer Group	Return %		25.24	86.85	44.55	-67.92	35.73
	Cum	\$ 100.00	125.24	234.00	338.25	108.51	147.29

**Notes**

- (1) Data presented in the performance graph is complete through December 31, 2009.
- (2) The Old Peer Group is self-determined and consists of the following companies: General Cable Corporation, Belden Inc. and Superior Essex Inc.
- (3) The New Peer Group is self-determined and consists of the following companies: General Cable Corporation, Belden Inc. and Coleman Cable, Inc.
- (4) Each peer group index uses only such peer group's performance and excludes the performance of the Company. Each peer group index uses beginning of period market capitalization weighting.
- (5) Each data line represents quarterly index levels derived from compounded daily returns that include all dividends.
- (6) The index level for all data lines was set to \$100.00 on December 31, 2004.

**Table of Contents****Item 6. Selected Consolidated Financial Data.**

The following financial data should be read in conjunction with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data. The table below presents, as of and for the dates indicated, selected historical financial information for the Company.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share amounts)				
<b>Statement of Income Data:</b>					
Net sales	\$ 649,613	\$ 1,081,132	\$ 1,184,786	\$ 1,249,330	\$ 758,089
Cost of goods sold	599,498	957,767	1,073,451	1,005,037	632,842
Gross profit	50,115	123,365	111,335	244,293	125,247
Selling, general and administrative expenses	43,767	61,180	60,400	59,793	46,335
Operating income	6,348	62,185	50,935	184,500	78,912
<b>Other income (expense):</b>					
Interest and other income (expense)	1,633	2,416	1,709	(74)	(7)
Interest expense	(3,181)	(4,704)	(5,834)	(7,686)	(3,929)
Income before income taxes	4,800	59,897	46,810	176,740	74,976
Income tax expense	1,164	20,126	16,014	61,607	24,898
Net income	\$ 3,636	\$ 39,771	\$ 30,796	\$ 115,133	\$ 50,078
<b>Net income per common and common equivalent shares</b>					
basic	\$ 0.16	\$ 1.72	\$ 1.32	\$ 4.95	\$ 2.17
diluted	\$ 0.16	\$ 1.70	\$ 1.30	\$ 4.86	\$ 2.13
<b>Weighted average common and common equivalent shares</b>					
basic	23,011	23,113	23,342	23,254	23,117
diluted	23,298	23,396	23,690	23,674	23,537
	As of December 31,				
	2009	2008	2007	2006	2005
	(In thousands, except per share amounts)				
<b>Balance Sheet Data:</b>					
Working capital	\$276,882	\$378,033	\$346,910	\$333,865	\$199,113
Total assets	534,558	533,339	513,912	474,157	348,476
Long-term debt, net of current portion		100,675	100,910	98,974	70,438
Stockholders' equity	392,984	389,619	354,969	327,121	210,535
Annual dividends paid	1,840	1,853	1,867		
Annual dividends paid per common share	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.00	\$ 0.00





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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Introduction

The following management's discussion and analysis is intended to provide a better understanding of key factors, drivers and risks regarding the Company and the building wire industry.

Executive Overview

Encore Wire sells a commodity product in a highly competitive market. Management strongly believes that the historical strength of the Company's growth and earnings is attributable to the following main factors:

Industry leading order-fill rates and responsive customer service.

Product innovations based on listening to and understanding customer needs.

Low cost manufacturing operations, resulting from a state of the art manufacturing plant.

A focused management team leading an incentivized work force.

Low general and administrative overhea