

CDW Corp  
Form S-4/A  
September 26, 2011  
Table of Contents

As filed with the Securities and Exchange Commission on September 26, 2011.

Registration No. 333-175597

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

## **CDW CORPORATION\***

(Exact name of registrant as specified in its charter)

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

**5961**  
(Primary Standard Industrial  
Classification Number)

**26-0273989**  
(I.R.S. Employer  
Identification No.)

Edgar Filing: CDW Corp - Form S-4/A

**200 N. Milwaukee Avenue**

**Vernon Hills, Illinois 60061**

**Telephone: (847) 465-6000**

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

**Christine A. Leahy**

**Senior Vice President, General Counsel and Corporate Secretary**

**CDW Corporation**

**200 N. Milwaukee Avenue**

**Vernon Hills, Illinois 60061**

**Telephone: (847) 465-6000**

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

*Copies to:*

**James S. Rowe**

**Kirkland & Ellis LLP**

**300 N. LaSalle**

**Chicago, Illinois 60654**

**Telephone: (312) 862-2000**

\* The co-registrants listed on the next page are also included in this Form S-4 Registration Statement as additional registrants.

**Approximate date of commencement of proposed sale of the securities to the public:** Each exchange will occur as soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

## Edgar Filing: CDW Corp - Form S-4/A

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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    x   (Do not check if a smaller reporting company)

Smaller reporting company    "

**Table of Contents**

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ..  
 Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ..

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)
8.0% Senior Secured Notes due 2018, Series B	\$ 500,000,000	100%	\$ 500,000,000	\$ 58,050.00(2)
8.5% Senior Notes due 2019, Series B	\$1,175,000,000	100%	\$1,175,000,000	\$136,417.50(2)
Guarantees on 8.0% Senior Secured Notes due 2018, Series B	\$ 500,000,000			(3)
Guarantees on 8.5% Senior Notes due 2019, Series B	\$1,175,000,000			(3)

(1) Previously paid.

(2) Calculated in accordance with Rule 457 under the Securities Act of 1933, as amended.

(3) Pursuant to Rule 457(n), no separate fee is payable with respect to the guarantees being registered hereby.

**The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

<b>Exact Name of</b>	<b>Primary Standard Industrial Classification Number</b>	<b>Jurisdiction of Formation</b>	<b>I.R.S. Employer Identification No.</b>
<b>Additional Registrants*</b>			
CDW LLC	5961	Illinois	36-3310735
CDW Finance Corporation	5961	Delaware	90-0600013
CDW Technologies, Inc.	5961	Wisconsin	39-1768725
CDW Direct, LLC	5961	Illinois	36-4530079
CDW Government LLC	5961	Illinois	36-4230110
CDW Logistics, Inc.	5961	Illinois	38-3679518

\* The address for each of the additional registrants is CDW Corporation, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061. The name, address and telephone number of the agent for service for each of the additional registrants is Christine A. Leahy, Senior Vice President, General Counsel and Corporate Secretary of CDW Corporation, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061, telephone: (847) 465-6000.

**Table of Contents**

**The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the SEC is effective. This prospectus is not an offer to sell nor is it an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

SUBJECT TO COMPLETION, DATED SEPTEMBER 26, 2011

**PROSPECTUS**

**CDW LLC**  
**CDW Finance Corporation**

**Exchange Offers for**

**8.0% Senior Secured Notes due 2018 and**

**8.5% Senior Notes due 2019**

We are offering to exchange, upon the terms and subject to the conditions set forth in this prospectus and the accompanying letter of transmittal, up to \$500,000,000 in aggregate principal amount of our new 8.0% Senior Secured Notes due 2018, Series B and up to \$1,175,000,000 in aggregate principal amount of our new 8.5% Senior Notes due 2019, Series B (collectively, the exchange notes), each of which has been registered under the Securities Act of 1933, as amended (the Securities Act), for any and all of our outstanding 8.0% Senior Secured Notes due 2018 and 8.5% Senior Notes due 2019 (collectively, the outstanding notes, and such transactions, collectively, the exchange offers).

We are conducting the exchange offers in order to provide you with an opportunity to exchange the unregistered notes you hold for freely tradable notes that have been registered under the Securities Act.

The principal features of the exchange offers are as follows:

The terms of the exchange notes to be issued in the exchange offers are substantially identical to the outstanding notes, except that the transfer restrictions, registration rights and additional interest provisions relating to the outstanding notes will not apply to the exchange notes.

You may withdraw your tender of outstanding notes at any time before the expiration of the exchange offers. We will exchange all of the outstanding notes that are validly tendered and not withdrawn.

Based upon interpretations by the staff of the Securities and Exchange Commission (the SEC), we believe that subject to some exceptions, the exchange notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided you are not an affiliate of ours.

## Edgar Filing: CDW Corp - Form S-4/A

The exchange offers expire at 12:00 a.m., midnight, New York City time, on \_\_\_\_\_, 2011, unless extended.

The exchange of notes will not be a taxable event for U.S. federal income tax purposes.

We will not receive any proceeds from the exchange offers.

There is no existing public market for the outstanding notes or the exchange notes. We do not intend to list the exchange notes on any securities exchange.

Except in very limited circumstances, current and future holders of outstanding notes who do not participate in the exchange offers will not be entitled to any future registration rights, and will not be permitted to transfer their outstanding notes absent an available exemption from registration.

**For a discussion of certain factors that you should consider before participating in the exchange offers, see Risk Factors beginning on page 19 of this prospectus.**

**Neither the SEC nor any state securities commission has approved the exchange notes to be distributed in the exchange offers, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

, 2011

**Table of Contents**

You should rely only on the information contained in this prospectus. The prospectus may be used only for the purposes for which it has been published. We have not authorized anyone to provide any information not contained herein. If you receive any other information, you should not rely on it. We are not making an offer of these securities in any state where the offer is not permitted.

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Market, Ranking and Other Industry Data</u>	i
<u>Trademarks and Service Marks</u>	i
<u>Summary</u>	1
<u>Risk Factors</u>	19
<u>Forward-Looking Statements</u>	41
<u>Exchange Offers</u>	42
<u>Use of Proceeds</u>	49
<u>Capitalization</u>	50
<u>Selected Historical Consolidated Financial and Operating Data</u>	51
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	55
<u>Business</u>	87
<u>Management</u>	95
<u>Executive Compensation</u>	101
	<b>Page</b>
<u>Security Ownership of Certain Beneficial Owners</u>	118
<u>Certain Relationships and Related Transactions</u>	120
<u>Description of Certain Indebtedness</u>	122
<u>Description of Senior Secured Exchange Notes</u>	126
<u>Description of Senior Exchange Notes</u>	198
<u>Book-Entry Settlement and Clearance</u>	253
<u>Material United States Federal Income Tax Considerations</u>	255
<u>Plan of Distribution</u>	256
<u>Legal Matters</u>	256
<u>Experts</u>	256
<u>Where You Can Find More Information</u>	257
<u>Index to Financial Statements</u>	F-1

This prospectus contains summaries of the terms of several material documents. These summaries include the terms we believe to be material, but we urge you to review these documents in their entirety. We will provide without charge to each person to whom a copy of this prospectus is delivered, upon written or oral request of that person, a copy of any and all of these documents. Requests for copies should be directed to: CDW Corporation, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061; Attention: Investor Relations (telephone (847) 465-6000).

**MARKET, RANKING AND OTHER INDUSTRY DATA**

This prospectus includes industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry publications and surveys and other information available to us. Some data is also based on our good faith estimates, which are derived from management's knowledge of the industry and independent sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position are based on market data currently available to us. While we are not aware of any misstatements regarding the industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the



## Edgar Filing: CDW Corp - Form S-4/A

heading "Risk Factors" in this prospectus. Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources.

### **TRADEMARKS AND SERVICE MARKS**

This prospectus includes our trademarks such as "CDW," which are protected under applicable intellectual property laws and are the property of CDW Corporation or its subsidiaries. This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

**Table of Contents****SUMMARY**

*This summary highlights selected information contained in greater detail elsewhere in this prospectus. You should carefully read the entire prospectus, including the section entitled Risk Factors and the consolidated financial statements and notes related to those statements included elsewhere in this prospectus, before deciding whether to participate in the exchange offers. On October 12, 2007, CDW Corporation, an Illinois corporation ( Target ), was acquired by CDW Corporation, a Delaware corporation formerly known as VH Holdings, Inc. ( Parent ), a then-newly formed entity indirectly controlled by investment funds affiliated with Madison Dearborn Partners, LLC ( Madison Dearborn ) and Providence Equity Partners L.L.C. ( Providence Equity ), in a transaction valued at approximately \$7.4 billion, including fees and expenses (the Acquisition ). For financial reporting purposes, we refer to Target and its subsidiaries prior to the Acquisition as the Predecessor and we refer to Parent and its subsidiaries (including Target) following the Acquisition as the Successor. On December 31, 2009, Target merged into CDWC LLC, a limited liability company wholly owned by Parent, with CDWC LLC as the surviving company in the merger (the CDW LLC Merger ). On December 31, 2009, CDWC LLC was renamed CDW LLC and on August 17, 2010, VH Holdings, Inc. was renamed CDW Corporation. Unless otherwise indicated or the context otherwise requires, the terms we, us, the Company, our, CDW and other similar terms refer to the business of Parent and its consolidated subsidiaries.*

**Our Business****Overview**

CDW is a leading multi-brand technology solutions provider to business, government, education and healthcare customers in the U.S. and Canada. We provide comprehensive and integrated solutions for our customers technology needs through our extensive hardware, software and value-added service offerings. We serve over 250,000 customers through our experienced and dedicated sales force of more than 3,400 coworkers. We offer over 100,000 products from over 1,000 brands and a multitude of advanced technology solutions. Our broad range of technology products includes leading brands such as Hewlett-Packard, Microsoft, Cisco, Lenovo, EMC, IBM, Apple and VMware. Our offerings range from discrete hardware and software products to complex technology solutions such as virtualization, collaboration, security, mobility, data center optimization and cloud computing. Our sales and operating results have been driven by the combination of our large and knowledgeable selling organization, highly skilled technology specialists and engineers, extensive range of product offerings, strong vendor partner relationships, and fulfillment and logistics capabilities. For the year ended December 31, 2010, our net sales, net loss and Adjusted EBITDA were \$8,801.2 million, \$29.2 million and \$601.8 million, respectively. For the six months ended June 30, 2011, our net sales, net loss and Adjusted EBITDA were \$4,541.7 million, \$39.0 million and \$343.0 million, respectively. Adjusted EBITDA is a non-GAAP financial measure. See Summary Historical Financial Data for the definition of Adjusted EBITDA, the reasons for its inclusion and a reconciliation to net income (loss).

We have two reportable segments:

**Corporate.** Our Corporate segment customers are primarily in the small and medium business category, which we define as customers with up to 1,000 employees at a single location. We also serve larger customers, including FORTUNE 1000 companies, that value our broad offerings, brand selection and flexible delivery model. We have over 200,000 active accounts, well diversified across numerous industries. Our Corporate segment is divided into a small business customer channel, primarily serving customers with up to 100 employees, and a medium-large business customer channel, primarily serving customers with more than 100 employees. Our Corporate segment sales team is primarily organized by geography and customer size. We believe this enables us to better understand and serve customer needs, optimize sales resource coverage, and strengthen relationships with vendor partners to create more sales opportunities. Our Corporate segment generated net sales of \$4,833.6 million and \$2,617.7 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

**Public.** Our Public segment is divided into government, education and healthcare customer channels. The government channel serves federal as well as state and local governments. Our education channel serves higher education and K-12 customers. The healthcare channel serves customers across the healthcare provider industry. We have built sizable businesses in each of our three Public customer channels as annual net sales are equal to or exceed \$1 billion for each customer channel. Our Public segment sales teams are organized by customer channel, and within each customer channel, they are generally organized by geography, except our federal government sales teams, which are organized by agency. We believe this enables our sales teams to address the specific needs of their customer channel while promoting strong customer relationships. Our Public segment generated net sales of \$3,560.6 million and \$1,675.1 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

**Other.** We also have two other operating segments, CDW Advanced Services and Canada, which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as Other. The CDW Advanced Services



---

## **Table of Contents**

business is comprised of customized engineering services, delivered by CDW professional engineers, as well as managed services, including hosting and data center services. The other services components of solutions sales, including custom configuration and other third party services, are not recorded in Other, but are recorded in our Corporate and Public segment net sales. Advanced services provided by CDW professional engineers are recorded in CDW Advanced Services. Our CDW Advanced Services and Canada business segments generated net sales of \$407.0 million and \$248.9 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

### **History**

CDW was founded in 1984. In 2003, we purchased selected U.S. assets and the Canadian operations of Micro Warehouse, which extended our growth platform into Canada. In 2006, we acquired Berbee Information Networks Corporation, a provider of technology products, solutions and customized engineering services in advanced technologies primarily across Cisco, IBM and Microsoft portfolios. This acquisition increased our capabilities in customized engineering services and managed services. In 2007, we were acquired by Parent. For a description of the acquisition, see The Acquisition Transactions and Related Financing Events.

### **Industry Overview**

According to International Data Corporation ( IDC ), the overall U.S. technology market generated approximately \$536 billion in sales in 2010, including \$176 billion in hardware sales, \$144 billion in software sales and \$216 billion in services sales. The channels through which these products and services are delivered are highly fragmented and served by a multitude of participants. These participants include original equipment manufacturers ( OEMs ), software publishers, wholesale distributors and resellers. Wholesale distributors, such as Ingram Micro Inc., Tech Data Corporation and SYNEX Corporation, act as intermediaries between OEMs and software publishers, on the one hand, and resellers, on the other hand, providing logistics management and supply-chain services. Resellers, which include direct marketers, value-added resellers, e-tailers and retailers, sell products and/or services directly to the end-user customer, sourcing products sold to their customers directly from OEMs and software publishers or from wholesale distributors. CDW is a technology solutions provider with both direct marketer and value-added reseller capabilities.

Two key customer groups within our addressable market are the small and medium business market and the public sector market. The small and medium business market is highly fragmented and is generally characterized by companies that employ fewer than 1,000 employees. The public sector market is also fragmented and is generally divided into market verticals, each with specialized needs that require an adaptive and flexible sales, services and logistics model to meet customer needs. We believe that many vendors rely heavily on channel partners like CDW to efficiently serve small and medium business and public sector customers.

### **Our Competitive Strengths**

We believe the following strengths have contributed to our success and enabled us to become an important strategic partner for both our customers and our vendor partners:

#### *Significant Scale and Scope*

We are a leading multi-brand technology solutions provider in the U.S. and Canada. Based upon publicly available information, we believe that our net sales are significantly larger than any other multi-brand direct marketer or value-added reseller in the U.S. Our significant scale and scope create competitive advantages through:

Breadth of solutions for our customers. The breadth and depth of knowledge that our direct selling organization, specialists and engineers have across multiple industries and technologies position us well to anticipate and meet our customers needs. Our size allows us to provide our customers with a broad selection of over 100,000 technology products from over 1,000 brands and a multitude of advanced technology solutions at competitive prices. We have leveraged our scale to provide a high level of customer service and a breadth of technology options, making it easy for customers to do business with us.

Broad market access for our vendor partners. We believe we are an attractive route to market for our vendor partners in part because we provide them with access to a cost-effective and highly knowledgeable sales and marketing organization that reaches over

## Edgar Filing: CDW Corp - Form S-4/A

250,000 customers. Our vendor partners recognize that, in addition to providing broad customer reach, our scale and scope enables us to sell, deliver and implement their products and services to customers with a high level of knowledge and consistency.

## **Table of Contents**

Operational cost efficiencies and productivity. Our large scale provides us with operational cost efficiencies across our organization, including purchasing, operations, IT, sales, marketing and other support functions. We leverage these advantages through our two modern distribution centers, our efficient business processes and constant focus on productivity improvements, and our proprietary information systems, which has enabled us to provide cost-efficient service to our customers.

### *Coworker Culture*

Our steadfast focus on serving customers and investing in coworkers has fostered a strong, *get it done* culture at CDW. Since our founding, we have adhered to a core philosophy known as the Circle of Service, which places the customer at the center of all of our actions. We have consistently and cost effectively invested in our coworkers by providing broad and deep coworker training, supplying resources that contribute to their success, and offering them broad career development opportunities. This constant focus on customers and coworkers has created a customer-centric, highly engaged coworker base, which ultimately benefits our customers and fosters customer loyalty.

### *Large and Knowledgeable Direct Selling Organization*

We have a large and experienced sales force, consisting of more than 3,400 coworkers, including more than 2,700 account managers and field account executives. We believe our success is due, in part, to the strength of our account managers' dedicated relationships with customers that are developed by calling on existing and new customers, providing advice on products, responding to customer inquiries and developing solutions to our customers' complex technology needs. The deep industry knowledge of our dedicated sales, marketing and support resources within each of our customer channels allows us to understand and solve the unique challenges and evolving technology needs of our customers. Multiple customer surveys administered by independent parties consistently show that customers view CDW as a leader in customer service compared to other multi-brand resellers and solution providers.

### *Highly Skilled Technology Specialists and Engineers*

Our direct selling organization is supported by a team of more than 700 technology specialists and approximately 500 service delivery engineers with more than 3,000 industry-recognized certifications who bring deep product and solution knowledge and experience to the technology challenges of our customers. We believe our technology specialists, who work with customers and our direct selling organization to design solutions and provide recommendations in the selection and procurement process, are an important resource and differentiator for us as we seek to expand our offerings of value-added services and solutions.

### *Large and Established Customer Channels*

We have grown our customer channels within the Corporate and Public segments to sizeable businesses. Our government, education, healthcare and small business channels each has net sales that equal or exceed \$1 billion. Our scale allows us to create specialized sales resources across multiple customer markets, which enables us to better understand and meet our customers' evolving IT requirements. Our scale also provides us diversification benefits. For instance, our Public segment, which is comprised of our government, education and healthcare channels, has historically been less correlated to economic cycles, as evidenced by its 5% net sales growth in 2009 while overall technology spending declined in the U.S. market, according to IDC.

### *Strong, Established Vendor Partner Relationships*

We believe that our strong vendor partner relationships differentiate us from other multi-brand technology solutions providers. In addition to providing a cost-effective route to market for vendor partners, we believe that many of our competitive strengths enhance our value proposition to our vendor partners. We believe we are an important extension of our vendor partners' sales and marketing capabilities as we are the largest U.S. reseller for many of our vendor partners, including Hewlett-Packard. We have three vendor partners with whom we have annual \$1 billion-plus relationships, and we have 14 vendor partners with whom we have relationships exceeding \$100 million a year. As such, we are able to provide technology resources and insights to our customers that might otherwise be difficult for them to access independently or through other technology providers. Our direct selling organization, technology specialists and large customer channels allow us to develop intimate knowledge of our customers' environments and their specific needs. Frequently, vendor partners will select CDW as a partner to develop and grow new customer solutions. We are regularly recognized with top awards from our vendor partners. We were recently named Microsoft's Volume Licensing Partner of the Year for the second straight year and received Cisco's Partner Summit global awards for U.S. and Canada Partner of the Year.



---

## **Table of Contents**

### **Our Business Strategies**

Our goal is to continue to strengthen our position as a leading multi-brand national provider of technology products and solutions by growing our revenues and driving profitability. We plan to achieve this objective by capitalizing on our competitive strengths and pursuing the following strategies:

#### *Focus on Customer Requirements and Market Segmentation*

We have grown our revenues faster than the market, which we attribute in large part to our focus on customer requirements and market segmentation. We believe our customer intimacy enables us to better understand our customers' needs and to better identify profitable growth opportunities. We intend to maintain this focus with a goal of continuing to outpace our competitors in revenue growth in the markets we serve through increased share of wallet from existing customers, sales to new customers and expanded IT services offerings to both new and existing customers. We believe our efforts in these areas will be augmented as we improve our sales coverage and further segment our customer base, further leverage our knowledge of our customers' environments and continue to help our customers adopt proven technologies that meet their needs and make the most of their IT investments.

#### *Leverage our Superior Sales and Marketing Model*

We intend to continue to leverage our large, highly productive sales and marketing organization to serve existing customer requirements, effectively target new customer prospects, improve our product and solutions offerings, maximize sales resource coverage, strategically deploy internal sales teams, technology specialists and field sales account executives, and strengthen vendor partner relationships, all with the end goal of creating profitable sales opportunities. Some of the initiatives we have implemented within the last few years, including our realignment of our medium and large corporate account managers into geographic regions, our addition of selling resources to our federal and healthcare customer channels and our addition of more technology specialists to facilitate sales of newer and more profitable technology solutions, have contributed to an increase in our annualized net sales per coworker from \$1.338 million for the quarter ended March 31, 2007 to \$1.507 million for the quarter ended June 30, 2011. We plan to continue to identify and pursue opportunities that further enhance productivity. Recently, we have added sales operations supervisors to handle administrative tasks for our direct sales force coworkers, which we believe will further enhance their productivity, and we have continued to align our compensation programs to drive profitable revenue growth.

#### *Meet our Customers' Changing Needs through Expanded Service Offerings and Solutions*

We intend to expand the range of technology solutions we offer to continue to keep pace with the technology marketplace. As customers increasingly demand more elaborate services and solutions in addition to traditional hardware and software products, we believe that expanding the range of technology solutions that we offer will enhance our value proposition to our customers and help us to maximize our revenue and profit growth potential. We have quadrupled our number of technology specialists since mid-2004 and added over 400 services delivery engineers since mid-2006. CDW currently has more than 700 technology specialists, organized around core solutions and aligned with our selling organization, and more than 1,000 coworkers in 19 geographic markets across the U.S. focused on delivering customized engineering solutions. We plan to continue to invest resources and training in our technology specialists and services delivery coworkers to provide our customers with the expert advice and experience they need to make the most of their technology expenditures.

#### *Leverage Relationships with Leading Vendor Partners*

We intend to continue to leverage our long-standing relationships with major vendor partners to support the growth and profitability of our business. We plan to use our vendor partner relationships to ensure that our sales organization remains well-positioned and well-trained to market new and emerging technologies to end users. As one example, we are currently working with several large vendor partners to assist them in the development and sales of cloud solutions to the small and medium business marketplace. We believe our strong vendor partner relationships will also provide collaborative opportunities for our sales organization and vendor field sales representatives to identify and fulfill additional customer requirements, creating increased sales to both new and existing customers. In addition, we plan to leverage our significant scale to maximize the benefits from volume discounts, purchase or sales rebates, vendor incentive programs and marketing development funds.

### **Risk Factors**

Our business is subject to a number of risks. These risks include, but are not limited to, the following:



## Edgar Filing: CDW Corp - Form S-4/A

General economic conditions could negatively affect technology spending by our customers and put downward pressure on prices, which may have an adverse impact on our business, results of operations or cash flows.

Our financial performance could be adversely affected by decreases in spending on technology products and services by our Public segment customers.

Our business depends on our vendor partner relationships and the availability of their products.

Our sales are dependent on continued innovations in hardware, software and services offerings by our vendor partners and the competitiveness of their offerings.

Substantial competition could reduce our market share and significantly harm our financial performance.

Our substantial indebtedness could limit our operating flexibility, place us at a competitive disadvantage compared to our less leveraged competitors and increase our vulnerability to both general and industry-specific adverse economic conditions.

If these or any of the other risks described in the section entitled **Risk Factors** were to occur, the trading price of the exchange notes would likely decline and we may become unable to make payments of interest and principal on the exchange notes, as a result of which you may lose all or part of your original investment.

### **The Acquisition Transactions and Related Financing Events**

On October 12, 2007, Parent acquired Target in the Acquisition, a transaction having an aggregate value of approximately \$7.4 billion, including fees and expenses. Parent is owned directly by CDW Holdings LLC ( **CDW Holdings** ), a company controlled by investment funds affiliated with Madison Dearborn and Providence Equity (collectively, the **Equity**

---

**Table of Contents**

Sponsors ). The Acquisition was effected through the merger of VH MergerSub, Inc. ( MergerSub ), a newly formed, wholly owned subsidiary of Parent, with and into Target, which was the surviving corporation. Immediately following the merger, Target became a wholly owned direct subsidiary of Parent.

Substantially all of the equity interests of CDW Holdings are owned by investment funds affiliated with the Equity Sponsors, certain other co-investors and certain members of our management (the Management Investors, and together with the Equity Sponsors and certain other co-investors, the Equity Investors ).

In order to fund the Acquisition, on October 12, 2007, MergerSub entered into an \$800.0 million senior secured revolving credit facility (as in effect at the time of the Acquisition and as subsequently refinanced, the ABL Facility ), a \$2,200.0 million senior secured term loan facility (as in effect at the time of the Acquisition and as subsequently amended, the Term Loan Facility, and together with the ABL Facility, the Senior Credit Facilities ), a \$1,040.0 million senior bridge loan agreement (the Senior Bridge Loans ) and a \$940.0 million senior subordinated bridge loan agreement (the Senior Subordinated Bridge Loans, and together with the Senior Bridge Loans, the Bridge Loans ). CDW has subsequently assumed this indebtedness as successor in interest to MergerSub. We were required to pay cash interest on \$520.0 million of the outstanding principal of the Senior Bridge Loans (the Senior Cash Pay Loans ) and could elect to pay cash or PIK interest on the remaining \$520.0 million of the outstanding principal amount (the Senior PIK Election Loans ). On June 24, 2011, we refinanced the ABL Facility, which, among other things, extended the final maturity of the ABL Facility from 2012 to 2016 and increased the size of the facility from \$800.0 million to \$900.0 million (the ABL Facility Refinancing ). For a summary of the material terms of the ABL Facility, see Description of Certain Indebtedness. In 2008, we amended and restated the Term Loan Facility and in 2009, we entered into an additional amendment. In 2010, we entered into a further amendment of the Term Loan Facility to, among other things, extend the final maturity of a portion of the Term Loan Facility (the Extended Loans ) and reduce the principal amounts outstanding thereunder, and in connection with this amendment, we issued \$500.0 million of 8.0% senior secured notes due 2018 (the Senior Secured Notes ) and used the proceeds to prepay a portion of indebtedness under the Term Loan Facility. For a summary of the material terms of the Term Loan Facility, see Description of Certain Indebtedness. In 2008, we amended and restated the Bridge Loans to, among other things, change the principal amounts outstanding thereunder, and in connection with these amendments, we prepaid a portion of our Senior Subordinated Bridge Loans. Under the terms of the Bridge Loans, holders were entitled to request the conversion of their Bridge Loans into notes. At the request of these holders, we issued \$890.0 million of 11.00% senior cash pay exchange notes due 2015 (the Existing Senior Cash Pay Notes ), \$317.0 million of 11.50%/12.25% senior PIK election exchange notes due 2015 (the Existing Senior PIK Election Notes, and together with the Existing Senior Cash Pay Notes, the Existing Senior Notes ) and \$721.5 million of 12.535% senior subordinated exchange notes due 2017 (the Existing Senior Subordinated Notes, and together with the Existing Senior Notes, the Existing Notes ) in exchange for all of our outstanding Bridge Loans, a process we completed on October 14, 2010. For a summary of the material terms of our Existing Notes, see Description of Certain Indebtedness.

On April 13, 2011, we completed a tender offer to purchase a total of \$665.1 million in aggregate principal amount of the Existing Senior Notes. In connection with the tender offer, CDW Escrow Corporation, a wholly owned subsidiary of Parent (the Original Escrow Issuer ), issued \$725.0 million in aggregate principal amount of 8.5% senior notes due 2019 (the Senior Notes ) in order to pay the consideration in the tender offer. On May 20, 2011, we completed a tender offer to purchase a total of \$412.8 million in aggregate principal amount of the Existing Senior Notes. In connection with this tender offer, CDW Escrow Corporation, a newly formed, wholly owned subsidiary of Parent (the New Escrow Issuer, and together with the Original Escrow Issuer, the Escrow Issuers ), issued an additional \$450.0 million in aggregate principal amount of Senior Notes in order to pay the consideration in the tender offer. Following each issuance of Senior Notes, CDW LLC and CDW Finance Corporation ( CDW Finance ) assumed the Escrow Issuers' respective obligations under the Senior Notes. The ABL Facility Refinancing, the tender offers, the purchase of Existing Senior Notes pursuant thereto and the issuances of the Senior Notes are collectively referred to herein as the 2011 Refinancing Transactions. The indentures governing the Existing Notes, the Senior Secured Notes and the Senior Notes are collectively referred to herein as the Indentures.

**Table of Contents**

**Corporate Structure**

The following chart summarizes our current corporate structure and our indebtedness as of June 30, 2011.

- (1) Investment funds affiliated with Madison Dearborn and Providence Equity, along with two limited partnerships created by the Equity Sponsors to facilitate an investment in CDW Holdings, own approximately 94.8% of the outstanding voting interests of CDW Holdings as of July 31, 2011.
  
- (2) As of June 30, 2011, we had approximately \$160.0 million of outstanding indebtedness under our \$900.0 million ABL Facility, could have borrowed an additional \$705.9 million under this facility and had \$21.8 million of issued and undrawn letters of credit and \$12.3 million of reserves related to our floorplan sub-facility.
  
- (3) Formed in 2010 for the sole purpose of serving as a corporate co-issuer, CDW Finance is a co-issuer of the Existing Notes and the outstanding notes and will be a co-issuer of the exchange notes offered hereby. CDW Finance does not hold any material assets or engage in any business activities or operations.
  
- (4) Our non-guarantor subsidiary, CDW Canada, Inc., held approximately 1.8% of our total assets as of June 30, 2011 and generated approximately 4.2% of our net sales, approximately 6.9% of our net loss and approximately 2.7% of our Adjusted EBITDA (a non-GAAP financial measure defined below in Summary Historical Financial Data ) for the six months ended June 30, 2011.

**Table of Contents**

**Corporate Information**

CDW LLC is an Illinois limited liability company and a subsidiary of CDW Corporation, a Delaware corporation. CDW Finance is a Delaware corporation and a subsidiary of CDW Corporation.

Our principal executive offices are located at 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061, and our telephone number at that address is (847) 465-6000. Our website is located at <http://www.cdw.com>. The information on our website is not part of this prospectus.

**Equity Sponsors**

Madison Dearborn, based in Chicago, is one of the most experienced and successful private equity investment firms in the United States. Madison Dearborn has raised over \$18 billion of capital since its formation in 1992 and has invested in more than 100 companies. Madison Dearborn-affiliated investment funds invest in businesses across a broad spectrum of industries, including basic industries, communications, consumer, energy and power, financial services and health care.

Providence Equity is a leading global private equity firm focused on media, entertainment, communications and information investments. Providence Equity has over \$22 billion of equity under management and has invested in more than 100 companies over its 20-year history. Providence Equity is headquartered in Providence, Rhode Island and has offices in New York, Los Angeles, London, Hong Kong and New Delhi.

---

**Table of Contents**

**Summary of the Exchange Offers**

The Initial Offerings of Outstanding Notes

We sold the Senior Secured Notes on December 17, 2010 to J.P. Morgan Securities LLC, Deutsche Bank Securities Inc., Barclays Capital Inc. and Morgan Stanley & Co. Incorporated. We sold \$725,000,000 in aggregate principal amount of Senior Notes on April 13, 2011 to J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated. We sold an additional \$450,000,000 in aggregate principal amount of Senior Notes on May 20, 2011 to J.P. Morgan Securities LLC. Both issuances of Senior Notes have identical terms and are treated as a single class of notes. We refer to the initial purchasers of the outstanding notes in this prospectus collectively as the initial purchasers. The initial purchasers subsequently resold the outstanding notes to qualified institutional buyers pursuant to Rule 144A and Regulation S under the Securities Act.

Registration Rights Agreements

Simultaneously with the initial sales of the outstanding notes, we entered into three registration rights agreements (together, the Registration Rights Agreements), one with respect to each issuance of outstanding notes, pursuant to which we have agreed, among other things, to use commercially reasonable efforts to file with the SEC and cause to become effective a registration statement relating to offers to exchange the outstanding notes for SEC-registered notes with terms identical to the outstanding notes. The exchange offers are intended to satisfy your rights under the applicable Registration Rights Agreement. After the exchange offers are complete, you will, subject to only limited exceptions in limited circumstances, no longer be entitled to any exchange or registration rights with respect to your outstanding notes.

The Exchange Offers

We are offering to exchange:

up to \$500,000,000 aggregate principal amount of our new 8.0% Senior Secured Notes due 2018, Series B, which have been registered under the Securities Act (Senior Secured Exchange Notes), for any and all of our outstanding Senior Secured Notes; and

up to \$1,175,000,000 aggregate principal amount of our new 8.5% Senior Notes due 2019, Series B, which have been registered under the Securities Act (Senior Exchange Notes), for any and all of our outstanding Senior Notes.

In order to be exchanged, an outstanding note must be properly tendered and accepted. All outstanding notes that are validly tendered and not validly withdrawn will be exchanged. We will issue exchange notes promptly after the expiration of the exchange offers.

Interest on the outstanding notes accepted for exchange in the exchange offers will cease to accrue upon the issuance of the exchange notes. The exchange notes will bear interest from the date of issuance, and such interest will be payable,



**Table of Contents**

together with accrued and unpaid interest on the outstanding notes accepted for exchange, on the first interest payment date following the closing of the exchange offers. Interest will continue to accrue on any outstanding notes that are not exchanged for exchange notes in the exchange offers.

Resales

Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes issued to you in the exchange offers may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act provided that:

the exchange notes are being acquired by you in the ordinary course of your business;

you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offers; and

you are not an affiliate of ours.

If any of these conditions are not satisfied and you transfer any exchange notes issued to you in the exchange offers without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from these requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.

Each broker-dealer that is issued exchange notes in the exchange offers for its own account in exchange for outstanding notes that were acquired by that broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes issued to it in the exchange offers.

Expiration Date

The exchange offers will expire at 12:00 a.m., midnight, New York City time, on , 2011, unless we decide to extend the expiration date.

Conditions to the Exchange Offers

Each exchange offer is subject to customary conditions, which we may waive. See Exchange Offers Conditions.

Procedures for Tendering Outstanding Notes

If you wish to tender your outstanding notes for exchange in the exchange offers, you must transmit to the exchange agent on or before the expiration date either:

an original or a facsimile of a properly completed and duly executed copy of the letter of transmittal, which accompanies this prospectus, together with your outstanding notes and any other documentation required by the letter of transmittal, at the address provided on the cover page of the letter of transmittal; or

if the outstanding notes you own are held of record by



---

**Table of Contents**

The Depository Trust Company ( DTC ) in book-entry form and you are making delivery by book-entry transfer, a computer-generated message transmitted by means of the Automated Tender Offer Program System of DTC ( ATOP ), in which you acknowledge and agree to be bound by the terms of the letter of transmittal and which, when received by the exchange agent, forms a part of a confirmation of book-entry transfer. As part of the book-entry transfer, DTC will facilitate the exchange of your outstanding notes and update your account to reflect the issuance of the exchange notes to you. ATOP allows you to electronically transmit your acceptance of the exchange offers to DTC instead of physically completing and delivering a letter of transmittal to the exchange agent.

In addition, you must deliver to the exchange agent on or before the expiration date:

a timely confirmation of book-entry transfer of your outstanding notes into the account of the exchange agent at DTC if you are effecting delivery of book-entry transfer, or

if necessary, the documents required for compliance with the guaranteed delivery procedures.

**Special Procedures for Beneficial Owners**

If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of DTC as the holder of the book-entry interests or if you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or outstanding notes in the exchange offers, you should contact the person in whose name your book-entry interests or outstanding notes are registered promptly and instruct that person to tender on your behalf.

**Withdrawal Rights**

You may withdraw the tender of your outstanding notes at any time prior to 12:00 a.m., midnight, New York City time, on \_\_\_\_\_, 2011.

**Effect of Not Tendering in the Exchange Offers**

Any notes now outstanding that are not tendered or that are tendered but not accepted will remain subject to the restrictions on transfer set forth in the outstanding notes and the Indenture under which they were issued. Since the outstanding notes have not been registered under the federal securities laws, they may bear a legend restricting their transfer absent registration or the availability of a specific exemption from registration. Upon completion of the exchange offers, we will have no further obligation to register, and currently we do not anticipate that we will register, the outstanding notes under the Securities Act except in limited circumstances with respect to specific types of holders of outstanding notes.

**Federal Income Tax Considerations**

The exchange of outstanding notes will not be a taxable event for United States federal income tax purposes.

**Table of Contents**

Use of Proceeds

We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offers. We will pay all of our expenses incident to the exchange offers.

Exchange Agent

U.S. Bank National Association is serving as the exchange agent in connection with the exchange offers.

**Table of Contents**

**Summary of Terms of the Exchange Notes**

The form and terms of the exchange notes are the same as the form and terms of the outstanding notes, except that the exchange notes will be registered under the Securities Act. As a result, the exchange notes will not bear legends restricting their transfer and will not contain the registration rights and liquidated damage provisions contained in the outstanding notes. The exchange notes represent the same debt as the outstanding notes. Both the outstanding notes and the exchange notes are governed by the same indentures. Unless the context otherwise requires, we use the term "notes" in this prospectus to collectively refer to the outstanding notes and the exchange notes.

Issuers	CDW LLC, an Illinois limited liability company, and CDW Finance Corporation, a Delaware corporation, as co-issuers.
Securities	Up to \$500,000,000 in aggregate principal amount of Senior Secured Exchange Notes and up to \$1,175,000,000 in aggregate principal amount of Senior Exchange Notes.
Maturity	The Senior Secured Exchange Notes will mature on December 15, 2018 and the Senior Exchange Notes will mature on April 1, 2019.
Interest	<p>The Senior Secured Exchange Notes will bear interest at 8.0% per annum, payable semi-annually in arrears on June 15 and December 15 of each year until maturity, beginning on .</p> <p>The Senior Exchange Notes will bear interest at 8.5% per annum, payable semi-annually in arrears on April 1 and October 1 of each year until maturity, beginning on .</p>
Security	The Senior Secured Exchange Notes and the guarantees will initially be secured equally and ratably with the Term Loan Facility by a first priority security interest in substantially all of our and the Guarantors' assets, other than (i) cash, accounts receivable, deposit accounts, inventory and proceeds thereof (the "ABL Priority Collateral"), as to which the notes will be secured by a second priority security interest, (ii) certain accounts receivable and inventory securing certain trade financing agreements, as to which the notes will be secured by a third priority security interest, and (iii) certain excluded assets. We refer to the collateral securing the notes offered hereby as the "Non-ABL Priority Collateral." See "Description of Senior Secured Exchange Notes" Security.
Optional Redemption	<p>In the case of Senior Secured Exchange Notes:</p> <p>We may redeem all or part of the Senior Secured Exchange Notes at any time prior to December 15, 2014 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to the redemption date and a "make-whole" premium, as described under "Description of Senior Secured Exchange Notes" Optional Redemption.</p>

## Edgar Filing: CDW Corp - Form S-4/A

We may redeem all or part of the Senior Secured Exchange Notes at any time on or after December 15, 2014 at the redemption prices specified in Description of Senior Secured Exchange Notes Optional Redemption.

In addition at any time prior to December 15, 2013, we may redeem up to 35% of the aggregate principal amount of the Senior Secured Exchange Notes at a redemption price equal to 108.0% of the face amount thereof plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds that we raise in one or more equity offerings.

**Table of Contents**

In the case of Senior Exchange Notes:

We may redeem all or part of the Senior Exchange Notes at any time prior to April 1, 2015 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium, as described under Description of Senior Exchange Notes Optional Redemption.

We may redeem all or part of the Senior Exchange Notes at any time on or after April 1, 2015 at the redemption prices specified in Description of Senior Exchange Notes Optional Redemption.

In addition at any time prior to April 1, 2014, we may redeem up to 40% of the aggregate principal amount of the Senior Exchange Notes at a redemption price equal to 108.5% of the face amount thereof plus accrued and unpaid interest, if any, to the redemption date, with the net cash proceeds that we raise in one or more equity offerings.

Mandatory Offers to Purchase

Upon the occurrence of specific kinds of changes of control, you will have the right, as holders of the notes, to cause us to repurchase some or all of your notes at 101% of their face amount, plus accrued and unpaid interest, if any, to the repurchase date.

If we sell assets following the issue date, under certain circumstances, we will be required to use the net proceeds to make an offer to purchase the notes at an offer price in cash in an amount equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the repurchase date.

Guarantees

On the issue date, our obligations under the Senior Secured Exchange Notes will be fully and unconditionally guaranteed on a joint and several and senior secured basis, and our obligations under the Senior Exchange Notes will be fully and unconditionally guaranteed on a joint and several and senior unsecured basis, in each case, by Parent and each of our direct and indirect wholly owned domestic subsidiaries that guarantees our existing indebtedness or the existing indebtedness of the guarantors. If we fail to make payments on any series of the notes, our guarantors must make the payments instead. Each person that guarantees our obligations under the notes and the indentures is referred to as a Guarantor.

As of and for the six months ended June 30, 2011, our non-guarantor subsidiary represented 1.8% of our total assets, 0.4% of our total liabilities, including trade payables, 4.2% of our net sales, 6.9% of our net loss and 2.7% of our Adjusted EBITDA, a non-GAAP financial measure, in each case after intercompany eliminations.

Ranking

The Senior Secured Exchange Notes and the guarantees thereof will be our and the Guarantors' senior secured obligations and will:



**Table of Contents**

rank senior in right of payment to any of our and the Guarantors' existing and future subordinated indebtedness, including our Existing Senior Subordinated Notes and the associated guarantees;

rank equal in right of payment with all of our and the Guarantors' existing and future senior indebtedness, including our Term Loan Facility, ABL Facility, Existing Senior Notes and Senior Notes and the associated guarantees;

be secured equally and ratably with indebtedness under our Term Loan Facility and effectively senior to all other indebtedness to the extent of the value of the Non-ABL Priority Collateral;

be effectively subordinated to indebtedness under our ABL Facility to the extent of the value of the ABL Priority Collateral securing such indebtedness on a first-priority basis and to obligations under our trade financing agreements to the extent of the value of the inventory securing such arrangements on a first-priority basis and the value of the accounts receivable securing such arrangements on a second-priority basis; and

be structurally subordinated to all existing and future indebtedness and other liabilities of the issuers' non-guarantor subsidiaries.

The Senior Exchange Notes and the guarantees thereof will be our and the Guarantors' unsecured senior obligations and will:

be effectively subordinated to all of our and the Guarantors' existing and future secured debt, including our Senior Secured Notes, our ABL Facility and our Term Loan Facility, and to our trade financing agreements we have entered into with certain financial intermediaries in order to facilitate the purchase of certain inventory, in each case to the extent of the value of the assets securing such debt or other obligations;

be structurally subordinated to all existing and future indebtedness and other liabilities of the issuers' non-guarantor subsidiaries;

rank equal in right of payment with all of our and the Guarantors' existing and future unsecured senior debt, including our Existing Senior Notes and the related guarantees; and

rank senior in right of payment to all of our and the Guarantors' existing and future subordinated debt, including our Existing Senior Subordinated Notes and the related guarantees.

**Table of Contents**

In addition, the exchange notes and the guarantees of our obligations under the exchange notes will be effectively subordinated to all of the existing and future liabilities and obligations (including trade payables, but excluding intercompany liabilities) of each of our non-guarantor subsidiaries.

As of June 30, 2011, we had \$721.5 million in aggregate principal amount of outstanding Existing Senior Subordinated Notes, \$1,540.5 million outstanding under our Term Loan Facility, \$160.0 million outstanding under our ABL Facility, \$129.0 million in aggregate principal amount of outstanding Existing Senior Notes, \$1,175.0 million in aggregate principal amount of outstanding Senior Notes, \$500.0 million in aggregate principal amount outstanding of Senior Secured Notes and \$118.0 million of obligations outstanding under our trade financing agreements.

Covenants

The indentures under which the outstanding notes were issued will govern the exchange notes. These indentures contain certain covenants that, among other things, limit our ability to:

incur or guarantee additional indebtedness, or issue disqualified stock or preferred stock;

pay dividends on or make other distributions in respect of our membership interests or capital stock or make other restricted payments;

create liens on certain assets to secure debt;

make certain investments;

sell certain assets;

place restrictions on the ability of restricted subsidiaries to make payments to us;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into transactions with our affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

These covenants are subject to a number of important exceptions and qualifications. For more details, see [Description of Senior Secured Exchange Notes](#) and [Description of Senior Exchange Notes](#).



## Edgar Filing: CDW Corp - Form S-4/A

If the exchange notes are assigned an investment grade rating by Standard & Poor's Rating Services (Standard & Poor's) and Moody's Investors Service, Inc. (Moody's) and no default has occurred or is continuing, certain covenants will be suspended. If either rating on the exchange notes should subsequently decline to below investment grade, the suspended covenants will be reinstated.

**Table of Contents****Summary Historical Financial Data**

The following table sets forth our summary historical financial data for the periods ended and as of dates indicated below. We have derived the summary historical financial data presented below as of December 31, 2009 and December 31, 2010 and for the years ended December 31, 2008, December 31, 2009 and December 31, 2010 from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. The summary historical financial data as of June 30, 2011 and for the six months ended June 30, 2011 and 2010 have been derived from the unaudited consolidated financial statements included elsewhere in this prospectus. Our summary historical financial data may not be a reliable indicator of future results of operations.

The summary historical financial data set forth below is only a summary and should be read in conjunction with Selected Historical Consolidated Financial and Operating Data, Risk Factors, Use of Proceeds, Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

(in millions)	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
<b>Statement of Operations Data:</b>					
Net sales	\$ 8,071.2	\$ 7,162.6	\$ 8,801.2	\$ 4,157.4	\$ 4,541.7
Cost of sales	6,710.2	6,029.7	7,410.4	3,491.7	3,788.4
Gross profit	1,361.0	1,132.9	1,390.8	665.7	753.3
Selling and administrative expenses	894.8	821.1	932.1	454.0	474.8
Advertising expense	141.3	101.9	106.0	44.8	58.6
Goodwill impairment	1,712.0	241.8			
(Loss) income from operations	(1,387.1)	(31.9)	352.7	166.9	219.9
Interest expense, net	(390.3)	(431.7)	(391.9)	(183.5)	(157.8)
Net gain (loss) on extinguishments of long-term debt			2.0	9.2	(118.9)
Other income, net	0.2	2.4	0.2	0.1	0.5
Loss before income taxes	(1,777.2)	(461.2)	(37.0)	(7.3)	(56.3)
Income tax benefit	12.1	87.8	7.8	2.5	17.3
Net loss	\$ (1,765.1)	\$ (373.4)	\$ (29.2)	\$ (4.8)	\$ (39.0)
<b>Balance Sheet Data (at period end):</b>					
Cash, cash equivalents and marketable securities	\$ 94.4	\$ 88.0	\$ 36.6	\$ 26.1	\$ 44.6
Working capital	877.6	923.2	675.4	725.4	775.7
Total assets	6,276.3	5,976.0	5,943.8	6,005.8	6,021.9
Total secured debt (1)	2,693.5	2,681.9	2,361.5	2,434.3	2,200.5
Total debt and capitalized lease obligations (2)	4,633.5	4,621.9	4,290.0	4,362.8	4,226.0
Total shareholders' equity (deficit)	262.2	(44.7)	(43.5)	(49.4)	(69.3)
<b>Other Financial Data:</b>					
Capital expenditures	\$ 41.1	\$ 15.6	\$ 41.5	\$ 10.5	\$ 16.7
Depreciation and amortization	218.4	218.2	209.4	105.1	102.4
Gross profit as a percentage of net sales	16.9%	15.8%	15.8%	16.0%	16.6%
Ratio of earnings to fixed charges (3)	(a)	(a)	(a)	(a)	(a)
EBITDA (4)	(1,168.5)	188.7	564.3	281.3	203.9
Adjusted EBITDA (4)	570.6	465.4	601.8	292.3	343.0
<b>Statement of Cash Flows Data:</b>					
Net cash provided by (used in):					
Operating activities (5)	\$ 215.4	\$ 107.6	\$ 423.7	\$ 161.8	\$ 129.8

## Edgar Filing: CDW Corp - Form S-4/A

Investing activities	(60.3)	(82.6)	(125.4)	(55.8)	(26.5)
Financing activities (5)	(75.8)	(31.9)	(350.1)	(167.7)	(95.7)

- (1) Excludes secured borrowings of \$34.1 million, \$25.0 million, \$9.6 million, \$123.5 million and \$57.7 million, as of December 31, 2008, December 31, 2009, December 31, 2010, June 30, 2010 and June 30, 2011, respectively, under our inventory floorplan arrangements. We do not include these borrowings in total secured debt because we have not in the past incurred, and in the future do not expect to incur, any interest expense or late fees under these agreements. For more information, see Description of Certain Indebtedness.
- (2) Excludes items in footnote (1) and unsecured borrowings of \$18.6 million and \$60.3 million as of December 31, 2010 and June 30, 2011, respectively, under our inventory financing agreements. We do not include these borrowings in total debt because we have not in the past incurred, and in the future do not expect to incur, any interest expense or late fees under these agreements. For more information, see Description of Certain Indebtedness.

**Table of Contents**

- (3) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings before income taxes minus income from equity investees plus fixed charges. Fixed charges consist of interest expensed and the portion of rental expense we believe is representative of the interest component of rental expense.
- (a) For the years ended December 31, 2008, 2009 and 2010, and the six months ended June 30, 2010 and 2011, earnings available for fixed charges were inadequate to cover fixed charges by \$1,777.2 million, \$461.2 million, \$37.0 million, \$7.2 million and \$56.2 million, respectively.
- (4) EBITDA is defined as consolidated net income (loss) before interest income (expense), income tax benefit (expense), depreciation, and amortization. Adjusted EBITDA, which is a measure defined in our Senior Credit Facilities, is calculated by adjusting EBITDA for certain items of income and expense including (but not limited to) the following: (a) non-cash equity-based compensation; (b) goodwill impairment charges; (c) sponsor fees; (d) certain consulting fees; (e) debt-related legal and accounting costs; (f) equity investment gains and losses; (g) certain severance and retention costs; (h) gains and losses from the early extinguishment of debt; (i) gains and losses from asset dispositions outside the ordinary course of business; (j) Acquisition-related costs; (k) equity compensation payroll taxes; and (l) non-recurring, extraordinary or unusual gains or losses or expenses.

We have included a reconciliation of EBITDA and Adjusted EBITDA in the table below. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance and cash flows including our ability to meet our future debt service, capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our Senior Credit Facilities.

The following unaudited table sets forth reconciliations of net loss to EBITDA and EBITDA to Adjusted EBITDA for the periods presented:

(in millions)	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
Net loss	\$ (1,765.1)	\$ (373.4)	\$ (29.2)	\$ (4.8)	\$ (39.0)
Depreciation and amortization	218.4	218.2	209.4	105.1	102.4
Income tax benefit	(12.1)	(87.8)	(7.8)	(2.5)	(17.3)
Interest expense, net	390.3	431.7	391.9	183.5	157.8
<b>EBITDA</b>	<b>(1,168.5)</b>	<b>188.7</b>	<b>564.3</b>	<b>281.3</b>	<b>203.9</b>
Non-cash equity-based compensation	17.8	15.9	11.5	8.4	8.1
Sponsor fees	5.0	5.0	5.0	2.5	2.5
Consulting and debt-related professional fees	4.3	14.1	15.1	5.6	4.1
Goodwill impairment	1,712.0	241.8			
Net (gain) loss on extinguishments of long-term debt			(2.0)	(9.2)	118.9
Other adjustments (a)		(0.1)	7.9	3.7	5.5
<b>Adjusted EBITDA</b>	<b>\$ 570.6</b>	<b>\$ 465.4</b>	<b>\$ 601.8</b>	<b>\$ 292.3</b>	<b>\$ 343.0</b>

- (a) Other adjustments include certain severance and retention costs, equity investment gains and losses and the gain related to the sale of Informacast software and equipment in 2009.

**Table of Contents**

The following unaudited table sets forth a reconciliation of EBITDA to net cash provided by operating activities for the periods presented:

(in millions)	Year Ended December 31,			Six Months Ended June 30,	
	2008	2009	2010	2010	2011
EBITDA	\$ (1,168.5)	\$ 188.7	\$ 564.3	\$ 281.3	\$ 203.9
Depreciation and amortization	(218.4)	(218.2)	(209.4)	(105.1)	(102.4)
Income tax benefit	12.1	87.8	7.8	2.5	17.3
Interest expense, net	(390.3)	(431.7)	(391.9)	(183.5)	(157.8)
Net loss	(1,765.1)	(373.4)	(29.2)	(4.8)	(39.0)
Depreciation and amortization	218.4	218.2	209.4	105.1	102.4
Goodwill impairment	1,712.0	241.8			
Equity-based compensation expense	17.8	15.9	11.5	8.4	8.1
Amortization of deferred financing costs	38.6	16.2	18.0	9.0	7.7
Allowance for doubtful accounts	0.4	(0.2)	(1.3)	(1.3)	0.9
Deferred income taxes	(39.9)	(94.4)	(4.3)	(29.3)	(17.5)
Realized loss on interest rate swap agreements	18.6	103.2	51.5	12.8	2.8
Mark to market loss on interest rate derivatives			4.7	3.5	2.0
Net (gain) loss on extinguishment of long-term debt			(2.0)	(9.2)	118.9
Net loss (gain) on sale and disposals of assets	0.5	(1.7)	0.7		
Changes in assets and liabilities	14.1	(18.0)	165.3	67.6	(55.9)
Other			(0.6)		(0.6)
Net cash provided by operating activities (5)	\$ 215.4	\$ 107.6	\$ 423.7	\$ 161.8	\$ 129.8

(5) Amounts have been revised. See Notes 1 and 20 to the Audited Financial Statements and Note 1 to the Unaudited Interim Financial Statements included in this prospectus for further information.

---

**Table of Contents**

**RISK FACTORS**

*You should carefully consider each of the following risk factors and all of the other information set forth in this prospectus prior to participating in the applicable exchange offer. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. They are not, however, the only risks we face. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely affect our business, financial condition or results of operations. If that were to occur, the trading price of the notes would likely decline and we may not be able to make payments of interest and principal on the notes, and you may lose all or part of your original investment.*

**Risks Relating to the Exchange Offers**

***Because there is no public market for the exchange notes, you may not be able to resell your exchange notes.***

The exchange notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

the liquidity of any trading market that may develop;

the ability of holders to sell their exchange notes; or

the price at which the holders would be able to sell their exchange notes.

If a trading market were to develop, the exchange notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar securities and our financial performance.

Any holder of outstanding notes who tenders in the exchange offers for the purpose of participating in a distribution of the exchange notes may be deemed to have received restricted securities, and if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

***Your outstanding notes will not be accepted for exchange if you fail to follow the exchange offer procedures and, as a result, your outstanding notes will continue to be subject to existing transfer restrictions and you may not be able to sell your outstanding notes.***

We will not accept your outstanding notes for exchange if you do not follow the proper exchange offer procedures. We will issue exchange notes as part of the exchange offers only after a timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. If we do not receive your outstanding notes, letter of transmittal and other required documents by the expiration date of the exchange offers, we will not accept your outstanding notes for exchange. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange. If there are defects or irregularities with respect to your tender of outstanding notes, we may not accept your outstanding notes for exchange. For more information, see Exchange Offers Procedures for Tendering.

***If you do not exchange your outstanding notes, your outstanding notes will continue to be subject to the existing transfer restrictions and you may not be able to sell your outstanding notes.***

We did not register the outstanding notes, nor do we intend to do so following the exchange offers, except in the case of outstanding notes held by any of our affiliates. Outstanding notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the securities laws. If you do not exchange your outstanding notes, you will lose your right to have your outstanding notes exchanged for exchange notes registered under the federal securities laws. As a result, if you hold outstanding notes after the exchange offers, you may not be able to sell your outstanding notes.

---

## **Table of Contents**

### **Risks Relating to the Exchange Notes**

***Our substantial indebtedness could have a material adverse effect on our financial condition and prevent us from fulfilling our obligations under the notes.***

We are a highly leveraged company, and our substantial level of indebtedness increases the risk that we may be unable to generate sufficient cash to pay amounts due in respect to our indebtedness. As of June 30, 2011, we had \$4.2 billion of total debt and capitalized lease obligations outstanding and \$118.0 million of obligations outstanding under our trade financing agreements and the ability to borrow an additional \$705.9 million under our ABL Facility. Subject to the limits contained in our Senior Credit Facilities and the Indentures, we may be able to incur additional debt from time to time, including drawing on our ABL Facility, to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our business associated with our high level of debt could intensify. Specifically, our high level of debt could have important consequences to the holders of the notes, including the following:

making it more difficult for us to satisfy our obligations with respect to the notes and our other debt;

requiring us to dedicate a substantial portion of our cash flow from operations to debt service payments on our and our subsidiaries debt, which reduces the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;

requiring us to comply with restrictive covenants in our Senior Credit Facilities and Indentures, which limit the manner in which we conduct our business;

making it more difficult for us to obtain vendor financing from our vendor partners;

limiting our flexibility in planning for, or reacting to, changes in the industry in which we operate;

placing us at a competitive disadvantage compared to any of our less leveraged competitors;

increasing our vulnerability to both general and industry-specific adverse economic conditions; and

limiting our ability to obtain additional debt or equity financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

***We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

Our net interest expense for the year ended December 31, 2010 was \$391.9 million. Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. See Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations or that these actions would be permitted under the terms of our existing or future debt agreements, including the Senior Credit Facilities or the Indentures. In the absence of such operating results and resources, we could face substantial liquidity problems and might be

## Edgar Filing: CDW Corp - Form S-4/A

required to dispose of material assets or operations to meet our debt service and other obligations. The Senior Credit Facilities and the Indentures restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. See Description of Certain Indebtedness, Description of Senior Secured Exchange Notes and Description of Senior Exchange Notes.



**Table of Contents**

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

our debt holders could declare all outstanding principal and interest to be due and payable;

the lenders under our Senior Credit Facilities could terminate their commitments to lend us money and foreclose against the assets securing our borrowings from them; and

we could be forced into bankruptcy or liquidation, which could result in holders of notes losing their investment in the notes.

***Despite our indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, including secured debt. This could further increase the risks associated with our leverage.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of our Senior Credit Facilities and the Indentures do not fully prohibit us or our subsidiaries from doing so. To the extent that we incur additional indebtedness or such other obligations, the risks associated with our substantial indebtedness described above, including our possible inability to service our debt, will increase. As of June 30, 2011, we had approximately \$705.9 million available for additional borrowing under our ABL Facility after taking into account borrowing base limitations (net of \$21.8 million of issued and undrawn letters of credit and \$12.3 million of reserves related to our floorplan sub-facility). See Description of Certain Indebtedness.

***Restrictive covenants under our Senior Credit Facilities and the Indentures may adversely affect our operations and liquidity.***

Our Senior Credit Facilities and the Indentures contain, and any future indebtedness we incur may contain, various covenants that limit our ability to, among other things:

incur or guarantee additional debt;

incur debt that is junior to senior indebtedness and senior to our Existing Senior Subordinated Notes;

pay dividends or make distributions to holders of our capital stock or to make certain other restricted payments or investments;

repurchase or redeem capital stock;

make loans, capital expenditures or investments or acquisitions;

incur restrictions on the ability of certain of our subsidiaries to pay dividends or to make other payments to us;

enter into transactions with affiliates;

create liens;

## Edgar Filing: CDW Corp - Form S-4/A

merge or consolidate with other companies or transfer all or substantially all of our assets;

transfer or sell assets, including capital stock of subsidiaries; and

prepay, redeem or repurchase debt that is junior in right of payment to the notes.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the restrictive covenants in our Term Loan Facility require us to maintain a specified senior secured leverage ratio. A breach of any of these covenants or any of the other restrictive covenants would result in a default under our Senior Credit Facilities. Upon the occurrence of an event of default under our Senior Credit Facilities, the lenders:

will not be required to lend any additional amounts to us;

---

**Table of Contents**

could elect to declare all borrowings outstanding thereunder, together with accrued and unpaid interest and fees, to be due and payable;

could require us to apply all of our available cash to repay these borrowings; or

could prevent us from making payments on our Existing Senior Subordinated Notes;

any of which could result in an event of default under the notes.

If we were unable to repay those amounts, the lenders under our Senior Credit Facilities could proceed against the collateral granted to them to secure our borrowings thereunder. We have pledged a significant portion of our assets as collateral under our Senior Credit Facilities and our Senior Secured Notes. If the lenders under our Senior Credit Facilities or our Senior Secured Notes accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our Senior Credit Facilities and our other indebtedness, including the notes, or borrow sufficient funds to refinance such indebtedness. Even if we were able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. See Description of Certain Indebtedness.

In addition, under our ABL Facility we are permitted to borrow an aggregate amount of up to \$900 million; however, our ability to borrow thereunder is limited by a borrowing base, which at any time will equal the sum of up to 85% of our and our subsidiary guarantors' eligible accounts receivable (net of accounts reserves) (up to 30% of such eligible accounts receivable which can consist of federal government accounts receivable) plus the lesser of (i) 70% of our and our subsidiary guarantors' eligible inventory (valued at cost and net of inventory reserves) and (ii) the product of 85% multiplied by the net orderly liquidation value percentage multiplied by eligible inventory (valued at cost and net of inventory reserves), less reserves (other than accounts reserves and inventory reserves).

Our borrowing base in effect as of June 30, 2011 was \$970.2 million. Our ability to borrow under this facility is limited by a minimum liquidity condition, which provides that, if excess availability is less than the lesser of (i) \$90 million or (ii) the greater of (A) ten percent (10%) of the borrowing base or (B) \$60 million for more than five business days, the lenders are not required to lend any additional amounts under the ABL Facility (i) unless our pro forma consolidated fixed charge coverage ratio (as defined in the credit agreement for our ABL Facility) is at least 1.0 to 1.0 or (ii) until the availability exceeds the lesser of (i) \$90 million or (ii) the greater of (A) ten percent (10%) of the borrowing base or (B) \$60 million for 30 consecutive business days. Moreover, our ABL Facility provides discretion to the agent bank acting on behalf of the lenders to impose additional availability reserves, which could materially impair the amount of borrowings that would otherwise be available to us. We cannot assure you that the agent bank will not impose such reserves or, were it to do so, that the resulting impact of this action would not materially and adversely impair our liquidity.

***The Senior Exchange Notes will be unsecured and will be effectively subordinated to our and the Guarantors' secured debt and indebtedness of non-guarantor subsidiaries.***

Our obligations under the Senior Exchange Notes and the Guarantors' obligations under the guarantees of the Senior Exchange Notes will not be secured by any of our or our subsidiaries' assets. Borrowings under our ABL Facility, our Term Loan Facility and our Senior Secured Notes are secured by a security interest in substantially all of our assets and the assets of the Guarantors. In addition, the Indentures permit us and our subsidiaries to incur additional secured debt. As a result, the Senior Exchange Notes and the guarantees will be effectively subordinated to all of our and the Guarantors' secured debt and other obligations to the extent of the value of the assets securing such obligations. As of June 30, 2011, we had \$2,200.5 million of secured debt outstanding under our ABL Facility, our Term Loan Facility and our Senior Secured Notes, and an additional \$705.9 million of availability under our ABL Facility after taking into account borrowing base limitations (net of \$21.8 million of issued and undrawn letters of credit and \$12.3 million of reserves related to our floorplan sub-facility). If we and the Guarantors were to become insolvent or otherwise fail to make payments on the notes, holders of our and the Guarantors' secured obligations would be paid first and would receive payments from the assets securing such obligations before the holders of the Senior Exchange Notes would receive any payments. You may therefore not be fully repaid in the event we become insolvent or otherwise fail to make payments on the notes.

The Senior Exchange Notes may not be guaranteed by all of our subsidiaries. For example, our immaterial subsidiaries are not required to guarantee the Senior Exchange Notes. Accordingly, claims of holders of the Senior Exchange Notes will be structurally subordinate to the claims of creditors of these non-guarantor subsidiaries, including trade creditors. All obligations of our non-guarantor subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or a Guarantor of the Senior Exchange Notes.



---

**Table of Contents**

***Variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Certain of our borrowings, primarily borrowings under our Senior Credit Facilities, are at variable rates of interest and expose us to interest rate risk. As of June 30, 2011, we had \$1,700.5 million of variable rate debt outstanding. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Although we have entered into interest rate cap agreements on our Term Loan Facility to reduce interest rate volatility, we cannot assure you we will be able to do so in the future on acceptable terms or that such caps or the caps we have in place now will be effective.

***The notes are structurally subordinated to all indebtedness of our existing or future subsidiaries that are not or do not become Guarantors of the notes.***

Holders of the notes do not have any claim as a creditor against any of our existing subsidiaries that are not Guarantors of the notes or against any of our future subsidiaries that do not become Guarantors of the notes. Indebtedness and other liabilities, including trade payables of those subsidiaries, are structurally senior to claims of holders of the notes against those subsidiaries. As of June 30, 2011, our non-guarantor subsidiary had approximately \$26.6 million of total liabilities, all of which were effectively senior to the notes.

The notes are not guaranteed by our foreign subsidiary and will not be guaranteed by any future foreign subsidiaries. Our non-guarantor subsidiary is a separate and distinct legal entity and has no obligation, contingent or otherwise, to pay any amounts due under the notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments.

In the event of a bankruptcy, liquidation, reorganization or other winding up of this non-guarantor subsidiary or any future subsidiary that is not a Guarantor of the notes, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us (except to the extent we have a claim as a creditor of such non-guarantor subsidiary). Any right that we or the subsidiary Guarantors have to receive any assets of any non-guarantor subsidiaries upon the bankruptcy, liquidation, reorganization or other winding up of those subsidiaries, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of preferred equity interests of those subsidiaries.

As of and for the six months ended June 30, 2011, our non-guarantor subsidiary represented 1.8% of our total assets, less than 1% of our total liabilities, including trade payables, 4.2% of our net sales, 6.9% of our net loss and 2.7% of our Adjusted EBITDA, respectively, in each case after intercompany eliminations. Adjusted EBITDA is a non-GAAP financial measure.

In addition, the Indentures, subject to some limitations, permit these subsidiaries to incur additional indebtedness and do not contain any limitation on the amount of certain other liabilities, such as trade payables, that may be incurred by these subsidiaries.

***Our ability to service our debt and meet our cash requirements depends on many factors, some of which are beyond our control.***

Our ability to satisfy our obligations and meet our cash requirements for the foreseeable future will depend on our future operating performance and financial results, which will be subject, in part, to factors beyond our control, including interest rates and general economic, financial and business conditions. See Risk Factors Risks Relating to our Business. If we are unable to generate sufficient cash flow to service our debt, we may be required to:

refinance all or a portion of our debt, including the notes;

obtain additional financing;

---

**Table of Contents**

sell some of our assets or operations;

reduce or delay capital expenditures and/or acquisitions; or

revise or delay our strategic plan.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments, including our Senior Credit Facilities and the Indentures. In addition, our Senior Credit Facilities and the Indentures restrict our ability to sell assets and to use the proceeds from the sales. We may not be able to sell assets quickly enough or for sufficient amounts to enable us to meet our obligations, including our obligations on the notes. Furthermore, the Equity Sponsors have no obligation to provide us with debt or equity financing. Therefore, it may be difficult for us to make required payments on the notes in the event of an acceleration of the maturity of the notes.

***Our ability to make payments on the notes depends on our ability to receive dividends and other distributions from our subsidiaries.***

Our principal assets are the equity interests that we hold in our operating subsidiaries. As a result, we are dependent on dividends and other distributions from our subsidiaries to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on our outstanding debt. Our subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the notes. In addition, any payment of dividends, distributions, loans or advances to us by our subsidiaries could be subject to restrictions on dividends or, in the case of foreign subsidiaries, restrictions on repatriation of earnings under applicable local law and monetary transfer restrictions in the jurisdictions in which our subsidiaries operate. In addition, payments to us by our subsidiaries will be contingent upon our subsidiaries' earnings. Our subsidiaries are permitted under the terms of our indebtedness, including the Indentures, to incur additional indebtedness that may restrict payments from those subsidiaries to us. We cannot assure you that agreements governing current and future indebtedness of our subsidiaries will permit those subsidiaries to provide us with sufficient cash to fund payments on the notes when due.

Our subsidiaries are legally distinct from us and, except for our existing and future subsidiaries that will be Guarantors of the notes, have no obligation, contingent or otherwise, to pay amounts due on our debt or to make funds available to us for such payment.

***If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.***

Any default under the agreements governing our indebtedness, including a default under our Senior Credit Facilities that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could make us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in the Indentures and our Senior Credit Facilities), we could be in default under the terms of the agreements governing such indebtedness, including our Senior Credit Facilities and the Indentures. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our Senior Credit Facilities could elect to terminate their commitments thereunder and cease making further loans and lenders under our Senior Credit Facilities and holders of our Senior Secured Exchange Notes could institute foreclosure proceedings against our assets and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our Senior Credit Facilities to avoid being in default. If we breach our covenants under our Senior Credit Facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our Senior Credit Facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation. See Description of Certain Indebtedness, Description of Senior Secured Exchange Notes and Description of Senior Exchange Notes.

---

## **Table of Contents**

***We may be unable to purchase the notes upon a change of control which would result in a default in the Indentures and would adversely affect our business.***

Upon a change of control, as defined in the Indentures, we are required to offer to purchase all of the notes then outstanding for cash at 101% of the principal amount thereof, together with accrued and unpaid interest. If a change of control occurs under the Indentures, we may not have sufficient funds to pay the change of control purchase price, and we may be required to secure third party financing to do so. We may not be able to obtain this financing on commercially reasonable terms, or on terms acceptable to us, or at all. Further, we may be contractually restricted under the terms of our Senior Credit Facilities from repurchasing all of the notes tendered by holders of the notes upon a change of control. Accordingly, we may not be able to satisfy our obligations to purchase the notes unless we are able to refinance or obtain waivers under our Senior Credit Facilities. Our failure to repurchase the notes upon a change of control would cause a default under the Indentures and a cross-default under the Senior Credit Facilities and the Indentures. Our Senior Credit Facilities and the Indentures also provide that a change of control, as defined in such agreements, will be a default that permits lenders to accelerate the maturity of borrowings thereunder and, in the case of our Senior Credit Facilities and our Senior Secured Exchange Notes, if such debt is not paid, to enforce security interests in the collateral securing such debt, thereby limiting our ability to raise cash to purchase the notes.

The change of control provisions in the Indentures may not protect holders of the notes in the event we consummate a highly leveraged transaction, reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a change of control under the Indentures. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change in the magnitude required under the definition of change of control in the Indentures to trigger our obligation to repurchase the notes. Except as otherwise described above, the Indentures do not contain provisions that permit the holders of the notes to require us to repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction. If an event occurs that does not constitute a Change of Control as defined in the Indentures, we will not be required to make an offer to repurchase the notes and holders may be required to continue to hold notes despite the event. See Description of Certain Indebtedness, Description of Senior Secured Exchange Notes Repurchase at the Option of Holders and Description of Senior Exchange Notes Repurchase at the Option of Holders.

***Federal and state statutes allow courts, under specific circumstances, to void notes and adversely affect the validity and enforceability of the guarantees and require noteholders to return payments received.***

The issuance of, and payments made under, the notes and the guarantees may be subject to review under federal and state fraudulent transfer and conveyance statutes. While the relevant laws may vary from state to state, generally under such laws the incurrence of an obligation (such as under the notes or guarantees) or the making of a payment or other transfer will be a fraudulent conveyance if (1) we or any of our Guarantors, as applicable, incurred such obligation or made such payment with the intent of hindering, delaying or defrauding creditors or (2) we or any of our Guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for incurring such obligation or making such payment and, in the case of (2) only, one of the following is also true:

we or the applicable Guarantor were insolvent at the time of or rendered insolvent by reason of the incurrence of the obligation or the making of such payment; or

the incurrence of the obligation or the making of such payment of the consideration left us or the applicable Guarantor with an unreasonably small amount of capital to carry on our or its business; or

we or the applicable Guarantor intended to, or believed that we or it would, incur debts beyond our or its ability to pay them as they mature.

If a court were to find that the issuance of the notes or guarantees, or a payment made under the notes or guarantees, was a fraudulent conveyance, the court could void the payment obligations under the notes or such guarantees or subordinate the notes or such guarantees to presently existing and future indebtedness of ours or any such Guarantor, and require the holders of the notes to repay particular amounts or any amounts received with respect to the notes or such guarantees. In the event of a finding that a fraudulent conveyance occurred, you may not receive any repayment on the notes. Further, the voiding of the notes or the guarantees could result in an event of default with respect to our other debt and that of our Guarantors that could result in acceleration of such debt.





---

**Table of Contents**

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. In general, however, a court would consider an issuer or a Guarantor insolvent if:

the sum of its debts, including contingent and unliquidated liabilities, was greater than all of its property, at a fair valuation;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent unliquidated liabilities, as they become absolute and matured; or

it could not pay its debts as they became due.

We cannot be certain as to the standards a court would use to determine whether or not we or the Guarantors were solvent at the relevant time, or regardless of the standard that a court uses, that the notes and the guarantees would not be subordinated to our or any Guarantor's other debt.

If the guarantees were legally challenged, any guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the Guarantor, the obligations of the applicable Guarantor were incurred for less than reasonably equivalent value or fair consideration. A court could thus void the obligations under the guarantees, subordinate them to the applicable Guarantor's other debt or take other action detrimental to the holders of the notes.

Each guarantee contains a provision intended to limit the Guarantor's liability to the maximum amount that it could incur without causing the inurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may reduce or eliminate the Guarantor's obligation to an amount that effectively makes the guarantee worthless. A recent Florida bankruptcy court decision found that this kind of provision was ineffective to protect the guarantees.

***We are controlled by the Equity Sponsors who will be able to make important decisions about our business and capital structure; their interests may differ from the interests of noteholders.***

Substantially all of the common stock of Parent is held indirectly by investment funds affiliated with, or co-investment vehicles controlled by, the Equity Sponsors. As a result, the Equity Sponsors control us and have the power to elect all of the members of Parent's board of directors and approve any action requiring the approval of the holders of Parent's stock, including approving acquisitions or sales of all or substantially all of our assets. The directors appointed by the Equity Sponsors have the ability to control decisions affecting our capital structure, including the issuance of additional debt and capital stock, the declaration of dividends, and to appoint new management. The interests of the Equity Sponsors and our other equity holders may not be aligned with those of the holders of the notes. If we encounter financial difficulties, or we are unable to pay our debts as they mature, the interests of the Equity Sponsors and our other equity holders might conflict with those of the holders of the notes. In that situation, for example, the holders of the notes might want us to raise additional equity from the Equity Sponsors or other investors to reduce our leverage and pay our debts, while the Equity Sponsors might not want to increase their investment in us or have their ownership diluted and instead choose to take other actions, such as selling our assets. The Equity Sponsors may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to you as a holder of the notes. Additionally, the Equity Sponsors are in the business of investing in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The Equity Sponsors may also separately pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. Since our equity securities, which are not registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), are not listed on any U.S. securities exchange, we are not subject to any of the corporate governance requirements of any U.S. securities exchange.

***The trading prices for the notes will be directly affected by many factors, including our credit rating.***

Credit rating agencies continually revise their ratings for companies they follow or discontinue rating companies, including us. Any ratings downgrade or decisions by a credit rating agency to discontinue rating us could

---

## **Table of Contents**

adversely affect the trading price of the notes, or the trading market for the notes, to the extent a trading market for the notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future and any fluctuation may impact the trading price of the notes.

### **Risks Relating to our Business**

*General economic conditions could negatively affect technology spending by our customers and put downward pressure on prices, which may have an adverse impact on our business, results of operations or cash flows.*

Weak economic conditions generally, sustained uncertainty about global economic conditions or a prolonged or further tightening of credit markets could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. For example, during the economic downturn at the end of 2008 and in 2009, due to a number of factors, including declines in the availability of credit, weakening consumer and business confidence and increased unemployment, we experienced significantly reduced revenue and gross margins when our customers and potential customers reduced their spending on technology and put downward pressure on prices.

*Our financial performance could be adversely affected by decreases in spending on technology products and services by our Public segment customers.*

Our sales to our Public segment customers are impacted by government spending policies, budget priorities and revenue levels. Although our sales to the federal government are diversified across multiple agencies and departments, they collectively accounted for 11.0% of 2010 net sales. An adverse change in government spending policies, budget priorities or revenue levels could cause our Public segment customers to reduce their purchases or to terminate or not renew their contracts with us, which could adversely affect our business, results of operations or cash flows.

*Our business depends on our vendor partner relationships and the availability of their products.*

We purchase products for resale from vendor partners, which include OEMs and software publishers, and wholesale distributors. For the year ended December 31, 2010, we purchased approximately 47% of the products we sold directly from vendor partners and the remaining amount from wholesale distributors. We are authorized by vendor partners to sell all or some of their products via direct marketing activities. Our authorization with each vendor partner is subject to specific terms and conditions regarding such things as sales channel restrictions, product return privileges, price protection policies, purchase discounts and vendor incentive programs, including purchase rebates, sales volume rebates and cooperative advertising reimbursements. However, we do not have any long-term contracts with our vendor partners and many of these arrangements are terminable upon notice by either party. In addition, a reduction in the amount of credit granted to us by our vendor partners could increase our need for, and the cost of, working capital and could have an adverse effect on our business, results of operations or cash flows.

From time to time, vendor partners may terminate or limit our right to sell some or all of their products or change the terms and conditions or reduce or discontinue the incentives that they offer us. For example, there is no assurance that, as our vendor partners continue to sell directly to end users and through resellers, they will not limit or curtail the availability of their products to resellers like us. Any such termination or limitation or the implementation of such changes could have a negative impact on our business, results of operations or cash flows.

Although we purchase from a diverse vendor base, in 2010, products we purchased from distributors Ingram Micro, Tech Data and SYNnex represented approximately 13%, 12% and 11%, respectively, of our total purchases. In addition, sales of Apple, Cisco, Hewlett-Packard, Lenovo and Microsoft products comprise a substantial portion of our sales, representing approximately 50% of net sales in 2010. Sales of products manufactured by Hewlett-Packard represented approximately 24% of our 2010 net sales. The loss of, or change in business relationship with, any of these or any other key vendor partners, the diminished availability of their products, or backlogs for their products leading to manufacturer allocation, could reduce the supply and increase the cost of products we sell and negatively impact our competitive position. Hewlett-Packard's recent announcement that it is exploring strategic alternatives for its Personal Systems Group, which includes personal computers, tablets and smartphones, has created uncertainty in the marketplace for both resellers like us and our customers. Such uncertainty could adversely affect customer demand for products manufactured by Hewlett-Packard, and may lead to an increase in demand for products we do not currently offer or that we are not authorized to offer. In addition, a possible sale or spin-off of Hewlett-Packard's Personal Systems Group could adversely affect the terms and conditions currently offered to us regarding such products (including vendor incentive programs and marketing development funds).

## Edgar Filing: CDW Corp - Form S-4/A

Additionally, the relocation of key distributors utilized in our purchasing model could increase our need for, and the cost of, working capital and have an adverse effect on our business, results of operations or cash flows. Further, the sale, spin-off or combination of any of our vendor partners and/or certain of their business units, including any such sale to or combination with a vendor with whom we do not currently have a commercial relationship or whose products we do not sell, could have an adverse impact on our business, results of operations or cash flow.

---

## **Table of Contents**

***Our sales are dependent on continued innovations in hardware, software and services offerings by our vendor partners and the competitiveness of their offerings.***

The technology industry is characterized by rapid innovation and the frequent introduction of new and enhanced hardware, software and services offerings. We have been and will continue to be dependent on innovations in hardware, software and services offerings, as well as the acceptance of those innovations by customers. A decrease in the rate of innovation, or the lack of acceptance of innovations by customers, could have an adverse effect on our business, results of operations or cash flows.

In addition, if we are unable to keep up with changes in technology and new hardware, software and services offerings, for example by providing the appropriate training to our account managers, sales technology specialists and engineers to enable them to effectively sell such new offerings to customers, our business, results of operations or cash flows could be adversely affected.

We also are dependent upon our vendor partners for the development and marketing of hardware, software and services to compete effectively with hardware, software and services of vendors whose products and services we do not currently offer or that we are not authorized to offer in one or more customer channels. To the extent that a vendor's offering that is highly in demand is not available to us for resale in one or more customer channels, and there is not a competitive offering from another vendor that we are authorized to sell in such customer channels, our business, results of operations or cash flows could be adversely impacted.

***Substantial competition could reduce our market share and significantly harm our financial performance.***

Our current competition includes:

direct marketers, such as Insight Enterprises, PC Connection, PC Mall, Softchoice and GTSI;

value-added resellers, including larger ones such as Logicalis, Agilysis, Sirius and many regional and local value-added resellers;

manufacturers, such as Dell, Hewlett-Packard and Apple, who sell directly to customers;

e-tailers, such as Tiger Direct, Buy.com, Amazon and Newegg;

large service providers and system integrators, such as IBM, Accenture, HP/EDS and Dell/Perot; and

retailers, such as Best Buy, Office Depot, Office Max, Staples, Wal-Mart, Sam's Club and Costco.

We expect the competitive landscape in which we compete to continue to change as new technologies are developed. While innovation can help our business as it creates new offerings for us to sell, it can also disrupt our business model and create new and stronger competitors.

Some of our hardware and software vendor partners sell, and could intensify their efforts to sell, their products directly to customers. In addition, traditional OEMs are increasing their services capabilities through mergers and acquisitions with service providers, which could potentially increase competition in the market to provide comprehensive technology solutions to customers. Moreover, newer, potentially disruptive technologies exist and are being developed that deliver technology solutions as a service, for example, software as a service ( SaaS ) and hardware as a service ( HaaS ). These technologies could increase the amount of sales directly to customers rather than through resellers like us, or could lead to a reduction in our profitability. If any of these trends becomes more prevalent, it could adversely affect our business, results of operations or cash flows.

We focus on offering a high level of service to gain new customers and retain existing customers. To the extent we face increased competition to gain and retain customers, we may be required to reduce prices, increase advertising expenditures or take other actions which could adversely affect our business, results of operations or cash



## **Table of Contents**

flows. Additionally, some of our competitors may reduce their prices in an attempt to stimulate sales, which may require us to reduce prices. This would require us to sell a greater number of products to achieve the same level of net sales and gross profit. If such a reduction in prices occurs and we are unable to attract new customers and sell increased quantities of products, our sales growth and profitability could be adversely affected.

### ***The success of our business depends on the continuing development, maintenance and operation of our information technology systems.***

Our success is dependent on the accuracy, proper utilization and continuing development of our information technology systems, including our business systems, Web servers and voice and data networks. The quality and our utilization of the information generated by our information technology systems, and our success in implementing new systems and upgrades, affects, among other things, our ability to:

conduct business with our customers;

manage our inventory and accounts receivable;

purchase, sell, ship and invoice our hardware and software products and provide and invoice our services efficiently and on a timely basis; and

maintain our cost-efficient operating model.

The integrity of our information technology systems is vulnerable to disruption due to forces beyond our control. While we have taken steps to protect our information technology systems from a variety of threats, including computer viruses and malicious hackers, there can be no guarantee that those steps will be effective. Furthermore, although we have redundant systems at a separate location to back up our primary systems, there can be no assurance that these redundant systems will operate properly if and when required. Any disruption to or infiltration of our information technology systems could significantly harm our business and results of operations.

### ***Breaches of data security could impact our business.***

Our business involves the storage and transmission of proprietary information and sensitive or confidential data, including personal information of coworkers, customers and others. In addition, we operate three customer data centers which may contain both business-critical data and confidential information of our customers. In connection with our services business, our coworkers also have access to our customers confidential data and other information. We have privacy and data security policies in place that are designed to prevent security breaches; however, breaches in security could expose us, our customers or other individuals to a risk of loss or misuse of this information, resulting in litigation and potential liability for us, as well as the loss of existing or potential customers and damage to our brand and reputation. In addition, the cost and operational consequences of implementing further data protection measures could be significant. Such breaches, costs and consequences could adversely affect our business, results of operations or cash flows.

### ***The failure to comply with our Public segment contracts or applicable laws and regulations could result in, among other things, fines or other liabilities, and changes in procurement regulations could adversely impact our business, results of operations or cash flows.***

Revenues from our Public segment customers are derived from sales to governmental departments and agencies, educational institutions and healthcare customers, through various contracts and open market sales. Sales to Public segment customers are highly regulated. Noncompliance with contract provisions, government procurement regulations or other applicable laws or regulations (including but not limited to the False Claims Act and the Medicare and Medicaid Anti-Kickback Statute) could result in civil, criminal and administrative liability, including substantial monetary fines or damages, termination of government contracts or other Public segment customer contracts, and suspension, debarment or ineligibility from doing business with the government and other customers in the Public segment. In addition, generally contracts in the Public segment are terminable at any time for convenience of the contracting agency or upon default. The effect of any of these possible actions by any governmental department or agency could adversely affect our business, results of operations or cash flows. In addition, the adoption of new or modified procurement regulations and other requirements may increase our compliance costs and reduce our gross margins, which could have a negative effect on our business, results of operations or cash flows.



---

## **Table of Contents**

*If we fail to provide high-quality services to our customers, or if our third-party service providers fail to provide high-quality services to our customers, our reputation, business, results of operations or cash flows could be adversely affected.*

Our service offerings include field services, managed services, warranties, configuration services and partner services. Additionally, we deliver and manage mission critical software, systems and network solutions for our customers. Finally, we also offer certain services, such as implementation and installation services and repair services, to our customers through various third-party service providers engaged to perform these services on our behalf. If we or our third-party service providers fail to provide high quality services to our customers or such services result in a disruption of our customers' businesses, our reputation with our customers and our business, results of operations or cash flows could be adversely affected.

*If we lose any of our key personnel, or are unable to attract and retain the talent required for our business, our business could be disrupted and our financial performance could suffer.*

Our success is heavily dependent upon our ability to attract, develop and retain key personnel to manage and grow our business, including our key executive, management, sales, services and technical coworkers.

Our future success will depend to a significant extent on the efforts of Thomas E. Richards, our newly appointed Chief Executive Officer effective October 1, 2011, as well as the continued service and support of John A. Edwardson, our outgoing Chief Executive Officer who is expected to remain as Chairman of our Board through 2012, and our other named executive officers. Our future success also will depend on our ability to retain our customer-facing coworkers, who have been given critical CDW knowledge regarding, and the opportunity to develop strong relationships with, many of our customers. In addition, as we seek to expand our offerings of value-added services and solutions, our success will even more heavily depend on attracting and retaining highly skilled technology specialists and engineers, for which the market is extremely competitive.

Our inability to attract, develop and retain key personnel could have an adverse effect on our relationships with our vendor partners and customers and adversely affect our ability to expand our offerings of value-added services and solutions. Moreover, our inability to train our sales, services and technical personnel effectively to meet the rapidly changing technology needs of our customers could cause a decrease in the overall quality and efficiency of such personnel. Such consequences could adversely affect our business, results of operations or cash flows.

*The interruption of the flow of products from international suppliers could disrupt our supply chain.*

A significant portion of the products we sell are manufactured or purchased by our vendor partners outside of the U.S., primarily in Asia. Political, social or economic instability in Asia, or in other regions in which our vendor partners purchase or manufacture the products we sell, could cause disruptions in trade, including exports to the U.S. Other events that could also cause disruptions to exports to the U.S. include:

the imposition of additional trade law provisions or regulations;

the imposition of additional duties, tariffs and other charges on imports and exports;

foreign currency fluctuations;

natural disasters or other adverse occurrences at any of our suppliers' facilities;

restrictions on the transfer of funds;

the financial instability or bankruptcy of manufacturers; and



## Edgar Filing: CDW Corp - Form S-4/A

significant labor disputes, such as strikes.

We cannot predict whether the countries in which the products we sell are purchased or manufactured, or may be purchased or manufactured in the future, will be subject to new or additional trade restrictions imposed by the U.S. or foreign governments, including the likelihood, type or effect of any such restrictions. Trade restrictions, including new or increased tariffs or quotas, embargos, safeguards and customs restrictions against the products we sell, as well as foreign labor strikes and work stoppages or boycotts, could increase the cost or reduce the supply of product available to us and adversely affect our business, results of operations or cash flows.

*A natural disaster or other adverse occurrence at one of our primary facilities or customer data centers could damage our business.*

## **Table of Contents**

Substantially all of our corporate, warehouse and distribution functions are located at our Vernon Hills, Illinois facilities and our second distribution center in North Las Vegas, Nevada. If the warehouse and distribution equipment at one of our distribution centers were to be seriously damaged by a natural disaster or other adverse occurrence, we could utilize the other distribution center or third-party distributors to ship products to our customers. However, this may not be sufficient to avoid interruptions in our service and may not enable us to meet all of the needs of our customers and would cause us to incur incremental operating costs. In addition, we operate three customer data centers and numerous sales offices which may contain both business-critical data and confidential information of our customers. A natural disaster or other adverse occurrence at any of the customer data centers or at any of our major sales offices could negatively impact our business, results of operations or cash flows.

### ***We are heavily dependent on commercial delivery services.***

We generally ship hardware products to our customers by FedEx, United Parcel Service and other commercial delivery services and invoice customers for delivery charges. If we are unable to pass on to our customers future increases in the cost of commercial delivery services, our profitability could be adversely affected. Additionally, strikes or other service interruptions by such shippers could adversely affect our ability to deliver products on a timely basis.

### ***We are exposed to accounts receivable and inventory risks.***

We extend credit to our customers for a significant portion of our net sales, typically on 30-day payment terms. We are subject to the risk that our customers may not pay for the products they have purchased, or may pay at a slower rate than we have historically experienced, the risk of which is heightened during periods of economic downturn or, in the case of Public segment customers, during periods of budget constraints.

We are also exposed to inventory risks as a result of the rapid technological changes that affect the market and pricing for the products we sell. We seek to minimize our inventory exposure through a variety of inventory management procedures and policies, including our rapid-turn inventory model, as well as vendor price protection and product return programs. However, if we were unable to maintain our rapid-turn inventory model, if there were unforeseen product developments that created more rapid obsolescence or if our vendor partners were to change their terms and conditions, our inventory risks could increase. We also periodically take advantage of cost savings associated with certain opportunistic bulk inventory purchases offered by our vendor partners or we may decide to carry high inventory levels of certain products that have limited or no return privileges due to customer demand. These bulk purchases could increase our exposure to inventory obsolescence.

### ***We could be exposed to additional risks if we make acquisitions or enter into alliances.***

We may pursue transactions, including acquisitions or alliances, in an effort to extend or complement our existing business. These types of transactions involve numerous risks, including finding suitable transaction partners and negotiating terms that are acceptable to us, the diversion of management's attention from other business concerns, extending our product or service offerings into areas in which we have limited experience, entering into new geographic markets, the potential loss of key coworkers or business relationships and successfully integrating acquired businesses, any of which could adversely affect our operations.

### ***Our future operating results may fluctuate significantly.***

We may experience significant variations in our future quarterly results of operations. These fluctuations may result from many factors, including the condition of the technology industry in general, shifts in demand and pricing for hardware, software and services and the introduction of new products or upgrades.

Our operating results are also highly dependent on our level of gross profit as a percentage of net sales. Our gross profit percentage fluctuates due to numerous factors, some of which may be outside of our control, including pricing pressures; changes in product costs from our vendor partners; the availability of price protection, purchase discounts and incentive programs from our vendor partners; changes in product, order size and customer mix; the risk of some items in our inventory becoming obsolete; increases in delivery costs that we cannot pass on to customers; and general market and competitive conditions.

**Table of Contents**

In addition, our cost structure is based, in part, on anticipated sales and gross margins. Therefore, we may not be able to adjust our cost structure quickly enough to compensate for any unexpected sales or gross margin shortfall, and any such inability could have an adverse effect on our business, results of operations or cash flows.

---

## **Table of Contents**

### ***We are exposed to risks from legal proceedings and audits.***

We are party to various legal proceedings that arise from time to time in the ordinary course of our business, which include consumer, employment, tort and other litigation.

We are subject to intellectual property infringement claims against us, either because of the over 100,000 products we sell or the business systems we use to sell such products, in the form of cease-and-desist letters, licensing inquiries, lawsuits and other communications and demands. In our industry, such intellectual property claims have become more frequent as the complexity of technological products and the intensity of competition in our industry have increased. Increasingly, many of these assertions are brought by non-practicing entities whose principal business model is to secure patent licensing revenue.

Because of our significant sales to governmental entities, we also are subject to audits by federal, state and local authorities. We also are subject to audits by various vendor partners and large customers, including government agencies, relating to purchases and sales under various contracts. In addition, we are subject to indemnification claims under various contracts.

Current and future litigation, infringement claims, governmental proceedings, audits or indemnification claims that we face may result in substantial costs and expenses and significantly divert the attention of our management regardless of the outcome. In addition, current and future litigation, infringement claims, governmental proceedings, audits or indemnification claims could lead to increased costs or interruptions of our normal business operations. Litigation, infringement claims, governmental proceedings, audits or indemnification claims involve uncertainties and the eventual outcome of any litigation, infringement claim, governmental proceeding, audit or indemnification claim could adversely affect our business, results of operations or cash flows.

### **Risks Relating to the Collateral Securing the Senior Secured Exchange Notes**

***The liens on the ABL Priority Collateral securing the Senior Secured Exchange Notes (as well as the Term Loan Facility) will be junior and subordinate to the liens on the ABL Priority Collateral securing our obligations under the ABL Facility and certain permitted additional secured indebtedness. If there is a default, the value of the ABL Priority Collateral may not be sufficient to repay the holders of the Senior Secured Exchange Notes, the lenders under the Term Loan Facility and any other lenders or debt holders whose debt is secured senior to or on a pari passu basis with the Senior Secured Exchange Notes.***

Obligations under the Senior Secured Notes and the Term Loan Facility are secured by a first-priority lien on the Non-ABL Priority Collateral, a second-priority lien on the ABL Priority Collateral and a third-priority lien on certain assets securing trade financing agreements. No appraisal of the value of the collateral (as defined in the Description of Senior Secured Exchange Notes ) has been made in connection with this offering, and the fair market value is subject to fluctuations based on factors that include, among others, changing economic conditions, competition and other future trends. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, no assurance can be given that the proceeds from any sale or liquidation of the collateral will be sufficient to pay our obligations under the Senior Secured Exchange Notes, in full or at all, after first satisfying our obligations in full under applicable first-priority claims. See The rights of holders of the Senior Secured Exchange Notes with respect to the ABL Priority Collateral will be substantially limited by the terms of the ABL Intercreditor Agreement and The rights of holders of Senior Secured Exchange Notes in the collateral may be adversely affected by the First Lien Intercreditor Agreement. There also can be no assurance that the collateral will be saleable, and even if saleable, the timing of its liquidation would be uncertain. In addition, with respect to certain of our owned real property, we may not obtain title insurance or legal opinions with respect to the mortgages securing the Senior Secured Exchange Notes offered hereby. To the extent that liens, rights or easements granted to third parties encumber assets located on property owned by us, such third parties have or may exercise rights and remedies with respect to the property subject to such liens that could adversely affect the value of the collateral and the ability of the collateral agent to foreclose on the collateral.

With respect to some of the collateral, the collateral agent's security interest and ability to foreclose will also be limited by the need to meet certain requirements, such as obtaining third party consents and making additional filings. If we are unable to obtain these consents or make these filings, the security interests may be invalid and the holders will not be entitled to the collateral or any recovery with respect thereto. We cannot assure you that any such required consents can be obtained on a timely basis or at all. These requirements may limit the number of potential bidders for certain collateral in any foreclosure and may delay any sale, either of which events may have an adverse effect on the sale price of the collateral. Therefore, the practical value of realizing on the collateral may, without the appropriate consents and filings, be limited.

Under the terms of the indenture governing the Senior Secured Exchange Notes, we are permitted to incur indebtedness in amounts in excess of the current commitments under our ABL Facility, all of which can be secured by the ABL Priority Collateral on a first-priority lien basis and which will be entitled to payment out of the proceeds of any sale of such ABL Priority Collateral before the holders of the Senior Secured

## Edgar Filing: CDW Corp - Form S-4/A

Exchange Notes are entitled to any recovery from such ABL Priority Collateral. Furthermore, under the indenture governing the Senior Secured Exchange Notes, we are permitted to incur indebtedness in amounts in excess of the current outstanding indebtedness under the Term Loan Facility, all of which can be secured by the collateral on a pari passu basis with the Senior Secured Exchange Notes and which will be entitled to payment out of the proceeds of any sale of the collateral in accordance with the terms of the First Lien Intercreditor Agreement (as defined in the Description of Senior Secured Exchange Notes ).

---

**Table of Contents**

In addition, the indenture governing the Senior Secured Exchange Notes permits the Issuers and the Guarantors to create additional liens on the collateral under specified circumstances, some of which liens may be pari passu with the liens securing the Senior Secured Exchange Notes. Any obligations secured by such liens may further limit the recovery from the realization of the collateral available to satisfy holders of the Senior Secured Exchange Notes. See Description of Senior Secured Exchange Notes Certain Covenants Liens.

***The rights of holders of the Senior Secured Exchange Notes with respect to the ABL Priority Collateral will be substantially limited by the terms of the ABL Intercreditor Agreement.***

The collateral agent for the Senior Secured Exchange Notes and the Term Loan Facility and the agent under our ABL Facility have entered into an amendment to the ABL Intercreditor Agreement (as defined in the Description of Senior Secured Exchange Notes. The ABL Intercreditor Agreement significantly restricts any action that may be taken by the collateral agent with respect to the ABL Priority Collateral. Under the terms of the ABL Intercreditor Agreement, at any time that obligations under our ABL Facility are outstanding, any actions that may be taken with respect to (or in respect of) the ABL Priority Collateral that secures obligations under our ABL Facility on a first-priority basis, including the ability to cause the commencement of enforcement proceedings against such ABL Priority Collateral and to control the conduct of such proceedings, and the approval of amendments to, releases of such ABL Priority Collateral from the lien of, and waivers of past defaults under, such documents relating to such ABL Priority Collateral, will be at the direction of the holders of the obligations under our ABL Facility, and the holders of the Senior Secured Exchange Notes and the lenders under our Term Loan Facility, which are secured on a second-priority basis on such ABL Priority Collateral, may be adversely affected. See Description of Senior Secured Exchange Notes Security. The ABL Priority Collateral so released will no longer secure our and the Guarantors obligations under the Senior Secured Exchange Notes and the guarantees. In addition, because the holders of the indebtedness under our ABL Facility control the disposition of such ABL Priority Collateral, such holders could decide not to proceed against such ABL Priority Collateral, regardless of whether there is a default under the documents governing such indebtedness or under the indenture governing the Senior Secured Exchange Notes. In such event, the only remedy available to the holders of the Senior Secured Exchange Notes would be to sue for payment on the notes and the related guarantees. In addition, under the ABL Intercreditor Agreement, the collateral agent for the notes may not assert any right of marshalling that may be available under applicable law with respect to such ABL Priority Collateral. Without this waiver of the right of marshalling, holders of indebtedness secured by first-priority liens in the ABL Priority Collateral would likely be required to liquidate collateral on which the Senior Secured Exchange Notes did not have a lien, if any, prior to liquidating the collateral securing the Senior Secured Exchange Notes, thereby maximizing the proceeds of the collateral that would be available to repay obligations under the Senior Secured Exchange Notes. As a result of this waiver, the proceeds of sales of such ABL Priority Collateral could be applied to repay any indebtedness secured by first-priority liens in such ABL Priority Collateral before applying proceeds of other collateral securing indebtedness, and the holders of Senior Secured Exchange Notes may recover less than they would have if such proceeds were applied in the order most favorable to the holders of the Senior Secured Exchange Notes.

In addition, because the holders of the indebtedness secured by first-priority liens in the ABL Priority Collateral will control the disposition of the ABL Priority Collateral, such holders could decide not to proceed against the ABL Priority Collateral, regardless of whether there is a default under the documents governing such indebtedness or under the indenture governing the Senior Secured Exchange Notes. The indenture and the ABL Intercreditor Agreement contain certain provisions benefiting holders of indebtedness under our ABL Facility, including provisions prohibiting the trustee and the Non-ABL Priority collateral agent from objecting following the filing of a bankruptcy petition to a number of important matters regarding the collateral and the financing to be provided to us. After such filing, the value of this collateral could materially deteriorate and holders of the Senior Secured Exchange Notes would be unable to raise an objection. In addition, the right of holders of obligations secured by first priority liens to foreclose upon and sell such collateral upon the occurrence of an event of default also would be subject to limitations under applicable bankruptcy laws if we or any of our subsidiaries become subject to a bankruptcy proceeding. The ABL Intercreditor Agreement also gives the holders of first-priority liens on the ABL Priority Collateral the right to access and use the collateral that secures the Senior Secured Exchange Notes to allow those holders to protect the ABL Priority Collateral and to process, store and dispose of the ABL Priority Collateral.

---

**Table of Contents**

The ABL Priority Collateral is also subject to any and all exceptions, defects, encumbrances, liens and other imperfections as may be accepted by the lenders under our ABL Facility and other creditors that have the benefit of first-priority liens on such collateral from time to time, whether on or after the date the Senior Secured Exchange Notes and guarantees are issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the collateral securing the Senior Secured Exchange Notes as well as the ability of the collateral agent with respect to the Non-ABL Priority Collateral to realize or foreclose on such collateral.

***The rights of holders of Senior Secured Exchange Notes in the collateral may be adversely affected by the First Lien Intercreditor Agreement.***

Under the terms of the First Lien Intercreditor Agreement by and among the collateral agent for the holders of the Senior Secured Exchange Notes, the collateral agent under the Term Loan Facility and the other parties from time to time thereto, the liens securing the obligations under the Term Loan Facility on any assets of ours or the Guarantors generally rank equally with the liens on such assets securing our and the Guarantors' obligations under the Senior Secured Exchange Notes. The Intercreditor Agreement generally permits each of the collateral agent for the holders of the Senior Secured Exchange Notes and the collateral agent for the lenders under the Term Loan Facility to independently enforce their liens on the collateral (provided that distributions received on enforcement are applied as provided in the First Lien Intercreditor Agreement). However, the collateral agent for the Term Loan Facility lenders generally have the sole right to vote pledged securities included in the collateral and to provide notices under control agreements with respect to any deposit accounts or securities accounts included in the collateral. It is possible that disputes may occur between the holders of the Senior Secured Exchange Notes and lenders under our Term Loan Facility or other secured parties as to the appropriate manner of pursuing enforcement remedies with respect to the collateral which may delay enforcement of the collateral, result in litigation and/or result in enforcement actions against the collateral that are not approved by the holders of the Senior Secured Exchange Notes. See Description of Senior Secured Exchange Notes Security First Lien Intercreditor Agreement.

***The imposition of certain permitted liens will cause the assets on which such liens are imposed to be excluded from the collateral securing the Senior Secured Exchange Notes and the guarantees. There are also certain other categories of property that are also excluded from the collateral.***

The indenture governing the Senior Secured Exchange Notes permits liens in favor of third parties to secure additional debt, including purchase money indebtedness and capitalized lease obligations, and any assets subject to such liens will be automatically excluded from the collateral securing the Senior Secured Exchange Notes and the guarantees to the extent the agreements governing such indebtedness prohibit additional liens. In addition, certain categories of assets are excluded from the collateral securing the Senior Secured Exchange Notes and the guarantees. See Description of Senior Secured Exchange Notes. Excluded assets include, but are not limited to, among other things, the assets of our non-guarantor subsidiaries, leaseholds or other non-fee simple interests in real property, fee simple interests in real property having a book value of \$5,000,000 or less, and the proceeds from any of the foregoing. If an event of default occurs and the Senior Secured Exchange Notes are accelerated, the Senior Secured Exchange Notes and the guarantees will rank equally with the holders of other unsubordinated and unsecured indebtedness of the relevant entity with respect to such excluded property.

***Your right to receive proceeds from the sale of collateral securing the Senior Secured Exchange Notes are pari passu with the claims of lenders and counterparties under our Senior Credit Facilities and certain future indebtedness.***

The loans under our Term Loan Facility and the Senior Secured Exchange Notes are, and certain future indebtedness may be, secured on a pari passu basis by the same collateral consisting of a first priority perfected lien and security interest in, substantially all of our and the Guarantors' assets, subject to certain exceptions (except for cash, accounts, deposit accounts, inventory and proceeds thereof, as to which the Senior Secured Exchange Notes and the Term Loan Facility are secured by a second priority lien). As a result, holders of the Senior Secured Exchange Notes will receive distributions from any foreclosure proceeds of any of our and the Guarantors' assets constituting collateral for the Senior Secured Exchange Notes on a pro rata basis with the lenders under our Senior Credit Facilities and certain future indebtedness.

---

**Table of Contents**

***There may not be sufficient collateral to pay all or any portion of the Senior Secured Exchange Notes and the collateral securing the Senior Secured Exchange Notes may be reduced or released under certain circumstances.***

The value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The value of the assets pledged as collateral for the Senior Secured Exchange Notes could be impaired in the future as a result of changing economic conditions, competition or other future trends. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, we cannot assure you that the proceeds from any sale or liquidation of the collateral will be sufficient to pay our obligations under the Senior Secured Exchange Notes, in full or at all. Also, we cannot assure you that the fair market value of the collateral securing the Senior Secured Exchange Notes would be sufficient to pay any amounts due under the Senior Secured Exchange Notes and other debt secured on a pari passu basis following their acceleration. If the proceeds of any sale of collateral allocable to the Senior Secured Exchange Notes are not sufficient to repay all amounts due on the Senior Secured Exchange Notes, the holders of the Senior Secured Exchange Notes (to the extent not repaid from the proceeds of the sale of the collateral) would have only an unsecured claim against our and the Guarantors' remaining assets and in the context of a bankruptcy case by or against us, you may not be entitled to receive interest payments or reasonable fees, costs or charges due under the notes, and may be required to repay any such amounts already received by you. Any claim for the difference between the amount, if any, realized by holders of the Senior Secured Exchange Notes from the sale of the collateral securing the Senior Secured Exchange Notes and the obligations under the Senior Secured Exchange Notes will rank equally in right of payment with all of our other unsecured unsubordinated indebtedness and other obligations, including trade payables.

To the extent that third parties enjoy prior liens, such third parties may have rights and remedies with respect to the property subject to such liens that, if exercised, could adversely affect the value of the collateral. Additionally, the terms of the indenture that governs the Senior Secured Exchange Notes allows us to issue additional notes and other debt secured on a pari passu basis with the Senior Secured Exchange Notes in certain circumstances. The indenture that governs the Senior Secured Exchange Notes does not require that we maintain the current level of collateral or maintain a specific ratio of indebtedness to asset values. Under the indenture that governs the Senior Secured Exchange Notes, any additional notes issued pursuant to the indenture will rank pari passu with the Senior Secured Exchange Notes and be entitled to the same rights and priority with respect to the collateral. Thus, the issuance of additional notes pursuant to the indenture that governs the Senior Secured Exchange Notes may have the effect of significantly diluting your ability to recover payment in full from the then existing pool of collateral. Releases of collateral from the liens securing the Senior Secured Exchange Notes will be permitted under some circumstances.

***Sales of assets by us or our subsidiary Guarantors could reduce the pool of assets securing the Senior Secured Exchange Notes and the guarantees.***

The security documents allow us and the Guarantors to remain in possession of, retain exclusive control over, freely operate and collect, invest and dispose of any income from, the collateral securing the Senior Secured Exchange Notes. To the extent we sell any assets that constitute such collateral, the proceeds from such sale will be subject to the liens securing the Senior Secured Exchange Notes only to the extent such proceeds would otherwise constitute collateral securing the Senior Secured Exchange Notes and the guarantees under the security documents. Such proceeds will also be subject to the security interest of creditors other than the holders of the Senior Secured Exchange Notes, some of which, including the lenders under the Term Loan Facility, may be senior or prior to the liens held by the holders of the Senior Secured Exchange Notes or may have a lien on those assets that is pari passu with the lien of the holders of the Senior Secured Exchange Notes. For example, the lenders under our ABL Facility will share a first-priority lien on the ABL Priority Collateral, and the holders of the Senior Secured Exchange Notes will have a second-priority lien with the lenders under our Term Loan Facility in such ABL Priority Collateral; the lenders under our Term Loan Facility will have a first-priority lien on the Non-ABL Priority Collateral that will rank pari passu with the first-priority lien on the Non-ABL Priority Collateral that secures the Senior Secured Exchange Notes to the extent the proceeds from any sale of collateral do not constitute collateral under the security documents, the pool of assets securing the Senior Secured Exchange Notes and the guarantees would be reduced, and the Senior Secured Exchange Notes and the guarantees would not be secured by such proceeds.



---

**Table of Contents**

***The collateral securing the Senior Secured Exchange Notes may be diluted under certain circumstances.***

The collateral that secures the Senior Secured Exchange Notes also secures the Term Loan Facility and other obligations under our ABL Facility. The collateral may also secure additional indebtedness that we incur in the future, subject to restrictions on our ability to incur debt and liens under our ABL Facility, Term Loan Facility and the indenture governing the Senior Secured Exchange Notes. Your rights to the collateral would be diluted by any increase in the indebtedness secured by this collateral or portions thereof.

***The pledge of the capital stock, other securities and similar items of ours and the Guarantors that secure the Senior Secured Exchange Notes are automatically excluded from the collateral to the extent the pledge of such capital stock or such other securities would require the filing of separate financial statements with the SEC for that subsidiary.***

The Senior Secured Exchange Notes and the guarantees are secured by a pledge of our capital stock and the capital stock of the Guarantors. However, the collateral does not include the capital stock and other securities of any subsidiary to the extent that the pledge of such capital stock and other securities results in us being required to file separate financial statements of such subsidiary with the SEC pursuant to Rule 3-16 of SEC Regulation S-X. Rule 3-16 of Regulation S-X, promulgated pursuant to the Securities Act, requires the presentation of a company's stand-alone, audited financial statements if that company's capital stock or other securities are pledged to secure the securities of another issuer, and the greatest of the principal amount, par value, book value and market value of the pledged stock or securities equals or exceeds 20% of the principal amount of the securities secured by such pledge. Accordingly, the collateral may in the future exclude the capital stock and securities of ours and certain of the Guarantors, in each case to the extent necessary to not be subject to such requirement. As a result, holders of the Senior Secured Exchange Notes could lose a portion or all of their security interest in the capital stock or other securities of those entities. It may be more difficult, costly and time-consuming for holders of the Senior Secured Exchange Notes to foreclose on the assets of an Issuer or Guarantor than to foreclose on its capital stock or other securities, so the proceeds realized upon any such foreclosure could be significantly less than those that would have been received upon any sale of the capital stock or other securities of such subsidiary. See Description of Senior Secured Exchange Notes Security Limitations on Stock Collateral. The collateral securing our ABL Facility is not so limited to exclude collateral that would otherwise require the additional financial statements under Rule 3-16.

***There are circumstances, other than repayment or discharge of the Senior Secured Exchange Notes, under which the collateral securing the Senior Secured Exchange Notes and guarantees will be released automatically, without your consent or the consent of the trustee.***

Under various circumstances, all or a portion of the collateral may be released, including:

in whole or in part, as applicable, as to all or any portion of property subject to such liens which have been taken by eminent domain, condemnation or other similar circumstances;

in whole upon:

satisfaction and discharge of the indenture governing the Senior Secured Exchange Notes as set forth below under Description of Senior Secured Exchange Notes Satisfaction and Discharge ; or

a legal defeasance or covenant defeasance of the indenture governing the Senior Secured Exchange Notes as described below under Description of Senior Secured Exchange Notes Legal Defeasance and Covenant Defeasance ;

in part, as to any property that (a) is sold, transferred or otherwise disposed of by us or any guarantor (other than to us or another guarantor) in a transaction not prohibited by the indenture governing the Senior Secured Exchange Notes at the time of such sale, transfer or disposition or (b) is owned or at any time acquired by a Guarantor that has been released from its guarantee in accordance with the indenture, concurrently with the release of such guarantee; and

as provided in the Intercreditor Agreement.

---

**Table of Contents**

In addition, the guarantee of a Guarantor will be released in connection with a sale or merger of such guarantor in a transaction not prohibited by the indenture governing the Senior Secured Exchange Notes.

The indenture governing the Senior Secured Exchange Notes also permits us to designate one or more of our restricted subsidiaries that is a Guarantor of the Senior Secured Exchange Notes as an unrestricted subsidiary. If we designate a Guarantor as an unrestricted subsidiary, all of the liens on any collateral owned by such subsidiary or any of its subsidiaries and any guarantees of the Senior Secured Exchange Notes by such subsidiary or any of its subsidiaries will be released under the indenture. Designation of an unrestricted subsidiary will reduce the aggregate value of the collateral securing the notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. In addition, the creditors of the unrestricted subsidiary and its subsidiaries will have a senior claim on the assets of such unrestricted subsidiary and its subsidiaries. See *Description of Senior Secured Exchange Notes* *Guarantees*.

***The collateral is subject to casualty risks.***

Our inventory is subject to catastrophic loss due to fires, earthquakes, severe weather conditions and other natural disasters. Although we maintain insurance policies to insure against losses, there are certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses in the event of a catastrophic loss. We cannot assure you that any insurance proceeds received by us upon the total or partial loss of the pledged collateral will be sufficient to satisfy all of our secured obligations, including the Senior Secured Exchange Notes.

***Rights of holders of Senior Secured Exchange Notes in the collateral may be adversely affected by bankruptcy proceedings.***

The right of the collateral agent for the Senior Secured Exchange Notes to repossess and dispose of the collateral securing the Senior Secured Exchange Notes upon acceleration is likely to be significantly impaired by federal bankruptcy law if bankruptcy proceedings are commenced by or against us prior to or possibly even after the collateral agent has repossessed and disposed of the collateral. Under the U.S. Bankruptcy Code, a secured creditor, such as the collateral agent for the Senior Secured Exchange Notes, is prohibited from repossessing its security from a debtor in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, bankruptcy law permits the debtor to continue to retain and to use collateral, and the proceeds, products, rents, or profits of the collateral, even though the debtor is in default under the applicable debt instruments; provided that the secured creditor is given adequate protection. The meaning of the term adequate protection may vary according to circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In view of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the Senior Secured Exchange Notes could be delayed following commencement of a bankruptcy case, whether or when the collateral agent would repossess or dispose of the collateral, or whether or to what extent holders of the Senior Secured Exchange Notes would be compensated for any delay in payment or loss of value of the collateral through the requirements of adequate protection. Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due on the Senior Secured Exchange Notes, the holders of the Senior Secured Exchange Notes would have undersecured claims as to the difference. Federal bankruptcy laws do not permit the payment or accrual of interest (including accretion of original issue discount), costs and attorneys' fees for undersecured claims during the debtor's bankruptcy case. Additionally, the trustee's ability to foreclose on the collateral on your behalf may be subject to the consent of third parties, prior liens and practical problems associated with the realization of the trustee's security interest in the collateral. Moreover, the debtor or trustee in a bankruptcy case may seek to void an alleged security interest in collateral for the benefit of the bankruptcy estate. It may successfully do so if the security interest is not properly perfected or was perfected within a specified period of time (generally, 90 days) prior to the initiation of such proceeding. Under such circumstances, a creditor may hold no security interest and be treated as holding a general unsecured claim in the bankruptcy case. It is impossible to predict what recovery (if any) would be available for such an unsecured claim if we or a guarantor became a debtor in a bankruptcy case. While U.S. bankruptcy law generally invalidates provisions restricting a debtor's ability to assume and/or assign a contract, there are exceptions to this rule which could be applicable in the event that we become subject to a U.S. bankruptcy proceeding. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar

---

**Table of Contents**

proceeding against us, holders of the Senior Secured Exchange Notes will only be entitled to post-petition interest under the U.S. Bankruptcy Code to the extent that the value of their security interest in the collateral is greater than their pre-bankruptcy claim. Holders of the Senior Secured Exchange Notes that have a security interest in the collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the U.S. Bankruptcy Code.

***Certain laws and regulations may impose restrictions or limitations on foreclosure.***

Our obligations under the Senior Secured Exchange Notes and the Guarantors' obligations under the guarantees are secured only by the collateral described in this prospectus. The collateral agent's ability to foreclose on the collateral on your behalf may be subject to perfection, priority issues, state law requirements and practical problems associated with the realization of the collateral agent's security interest or lien in the collateral, including cure rights, foreclosing on the collateral within the time periods permitted by third parties or prescribed by laws, obtaining third party consents, making additional filings, statutory rights of redemption, and the effect of the order of foreclosure. We cannot assure you that the consents of any third parties and approvals by governmental entities will be given when required to facilitate a foreclosure on such assets. Therefore, we cannot assure you that foreclosure on the collateral will be sufficient to make all payments on the Senior Secured Exchange Notes.

In addition, our business requires various registrations, licenses and permits. Continued operation of our distribution centers that are significant to the value of the collateral for the Senior Secured Exchange Notes depends on the maintenance of such registrations, licenses and permits. Our business may be adversely affected if we are unable to comply with existing regulations or requirements or changes in applicable regulations or requirements. In the event of foreclosure, the transfer of such registrations, licenses and permits may be prohibited and may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of such registrations, licenses and permits. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the collateral may be significantly decreased.

***In the event of a bankruptcy of the Issuers or any of the Guarantors, holders of the Senior Secured Exchange Notes may be deemed to have an unsecured claim to the extent that the Issuers' obligations in respect of the notes exceed the fair market value of the collateral securing the Senior Secured Exchange Notes.***

In any bankruptcy proceeding with respect to us or any of the guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the fair market value of the collateral with respect to the Senior Secured Exchange Notes on the date of the bankruptcy filing was less than the then current principal amount of the Senior Secured Exchange Notes. Upon a finding by the bankruptcy court that the Senior Secured Exchange Notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the Senior Secured Exchange Notes would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. In such event, the secured claims of the holders of the Senior Secured Exchange Notes would be limited to the value of the collateral.

Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the holders of the Senior Secured Exchange Notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the Senior Secured Exchange Notes to receive other adequate protection under federal bankruptcy laws. In addition, if any payments of post-petition interest had been made at the time of such a finding of under-collateralization, those payments could be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the Senior Secured Exchange Notes.

***State law may limit the ability of the collateral agent to foreclose on the real property included in the collateral.***

The Senior Secured Exchange Notes are secured by, among other things, liens on real property located in the states of Illinois and Nevada. The laws of those states may limit the ability of the trustee and the noteholders to foreclose on the real property collateral located therein. State laws govern the perfection, enforceability and foreclosure of mortgage liens against real property interests which secure debt obligations such as the Senior Secured Exchange Notes. These laws may impose procedural requirements for foreclosure different from and necessitating a longer time period for completion than the requirements for foreclosure of security interests in personal property. Debtors may have the right to reinstate defaulted debt (even if it has been accelerated) before the foreclosure date by

---

**Table of Contents**

paying the past due amounts, and a right of redemption after foreclosure. Governing laws may also impose security first and one form of action rules, which rules can affect the ability to foreclose or the timing of foreclosure on real and personal property collateral regardless of the location of the collateral and may limit the right to recover a deficiency following a foreclosure.

***Rights of holders of Senior Secured Exchange Notes in the collateral may be adversely affected by the failure to perfect liens on certain collateral.***

The liens securing the Senior Secured Exchange Notes cover substantially all of our and the Guarantors' assets, whether now owned or acquired or arising in the future, other than certain excluded assets. Applicable law requires that a security interest in tangible and intangible assets can only be properly perfected and its priority retained through certain actions undertaken by the secured party. The liens in the collateral securing the Senior Secured Exchange Notes and guarantees may not be perfected with respect to the claims of Senior Secured Exchange Notes if the collateral agent does not or is not able to take the actions necessary to perfect any of these liens. Applicable law requires that certain property and rights acquired after the grant of a general security interest or lien can only be perfected at the time such property and rights are acquired and identified. The trustee and the collateral agent for the Senior Secured Exchange Notes have no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interests therein. There can be no assurance that the trustee or the collateral agent will monitor the future acquisition of property and rights that constitute collateral, or that the necessary action will be taken to properly or timely perfect the lien on such after-acquired collateral. Such failure may result in the loss of the practical benefits of the lien thereon or of the priority of the lien securing the Senior Secured Exchange Notes.

Additionally, the indenture and the security documents entered into in connection with the Senior Secured Notes do not require us to take a number of actions that might improve the perfection or priority of the liens of the collateral agent in the collateral. With limited exceptions, such actions are limited to (i) the filing of UCC-1 financing statements in the jurisdictions of incorporation of the Issuer and the subsidiary guarantors, (ii) the filing of U.S. intellectual property security agreements at closing (with periodic supplements thereafter) with respect to material U.S. registered intellectual property included in the collateral, and (iii) at any time when such items are not required to be taken in favor of the collateral agent under our Senior Credit Facilities, the delivery of stock certificates of domestic subsidiaries and the entry into control agreements over certain deposit accounts and securities accounts. As a result of these limitations, the security interest of the collateral agent in a portion of the collateral may not be perfected or enforceable (or may be subject to other liens) under applicable U.S. law or foreign law.

***Any future pledge of collateral may be avoidable in bankruptcy.***

Any future pledge of collateral in favor of the trustee or collateral agent, including pursuant to security documents delivered after the date of our indenture pertaining to the Senior Secured Exchange Notes, may be avoidable by the pledgor (a debtor in possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if (1) the pledgor is insolvent at the time of the pledge, (2) the pledge permits the holders of the Senior Secured Exchange Notes to receive a greater recovery than if the pledge had not been given and (3) a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact included in this prospectus are forward-looking statements. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, plan, predict, project, will and similar terms and phrases, including references to assumptions. However, these words are not the exclusive means of identifying such statements. These statements are contained in many sections of this prospectus, including those entitled Summary, Business and Management's Discussion and Analysis of Financial Condition and Results of Operations. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that we will achieve those plans, intentions or expectations. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected.

Important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are disclosed under the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this prospectus under the heading Risk Factors, as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this prospectus are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

---

**Table of Contents**

**EXCHANGE OFFERS**

**Purpose and Effect of the Exchange Offers**

We and the Guarantors entered into a registration rights agreement in connection with the issuance of the Senior Secured Notes on December 17, 2010 and into registration rights agreements in connection with the issuances of the Senior Notes on April 13, 2011 and May 20, 2011 (collectively, the Registration Rights Agreements). Under the Registration Rights Agreements, we have agreed that we will:

use our commercially reasonable efforts to file with the SEC and cause to become effective a registration statement relating to offers to exchange the outstanding notes for an issue of SEC-registered notes with terms identical to the outstanding notes (except that the exchange notes will not be subject to restrictions on transfer or to any increase in annual interest rate as described below);

keep the exchange offers open for at least 20 business days after the date we mail notice of such exchange offers to holders; and

file and use our reasonable best efforts to cause to become effective a shelf registration statement for the resale of outstanding notes in certain circumstances.

We will pay additional interest on the Senior Secured Notes for the periods described below if the exchange offer with respect to the Senior Secured Notes is not completed on or before October 13, 2011. We will pay additional interest on the Senior Notes for the periods described below if the exchange offer with respect to the Senior Notes is not completed on or before February 7, 2012. Where there is a registration default, the annual interest rate borne by the outstanding notes will be increased by 0.25% per annum for the first 90-day period immediately following such date and by 0.50% per annum thereafter until the exchange offers are completed or the shelf registration statement is declared effective.

**Terms of the Exchange Offers**

Upon the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal, we will accept any and all outstanding notes validly tendered and not withdrawn prior to 12:00 a.m., midnight, New York City time, on the expiration date of the exchange offers. We will issue \$1,000 principal amount of exchange notes in exchange for each \$1,000 principal amount of outstanding notes accepted in the exchange offers. Any holder may tender some or all of its outstanding notes pursuant to the exchange offers. However, outstanding notes may be tendered only in integral multiples of \$1,000.

The form and terms of the exchange notes are the same as the form and terms of the outstanding notes except that:

the exchange notes bear a Series B designation and a different CUSIP Number from the outstanding notes;

the exchange notes have been registered under the Securities Act and hence will not bear legends restricting the transfer thereof; and

the holders of the exchange notes will not be entitled to certain rights under the Registration Rights Agreements, including the provisions providing for an increase in the interest rate on the outstanding notes in certain circumstances relating to the timing of the exchange offers, all of which rights will terminate when the exchange offers to which this prospectus relates are terminated.

The exchange notes will evidence the same debt as the outstanding notes and will be entitled to the benefits of the Indenture relating to the outstanding notes.

As of the date of this prospectus, \$500.0 million and \$1,175.0 million in aggregate principal amount of Senior Secured Notes and Senior Notes, respectively, are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offers.





---

## **Table of Contents**

Holders of outstanding notes do not have any appraisal or dissenters' rights under the General Corporation Law of the State of Delaware or the Indentures in connection with the exchange offers. We intend to conduct the exchange offers in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder.

We will be deemed to have accepted validly tendered outstanding notes when, as and if we have given oral or written notice thereof to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving the exchange notes from us.

If any tendered outstanding notes are not accepted for exchange because of an invalid tender, the occurrence of specified other events set forth in this prospectus or otherwise, the certificates for any unaccepted outstanding notes will be returned, without expense, to the tendering holder thereof promptly following the expiration date of the exchange offers.

Holders who tender outstanding notes in the exchange offers will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes pursuant to the exchange offers. We will pay all charges and expenses, other than transfer taxes in certain circumstances, in connection with the exchange offers. See Fees and Expenses.

### **Expiration Date; Extensions; Amendments**

The term expiration date means 12:00 a.m., midnight, New York City time, on \_\_\_\_\_, 2011, unless we, in our sole discretion, extend one or more of the exchange offers, in which case the term expiration date will mean the latest date and time to which such exchange offer is extended.

In order to extend one or more of the exchange offers we will promptly make a press release or other public announcement and notify the exchange agent of any extension by oral or written notice, prior to 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion, (1) to delay accepting any outstanding notes, to extend one or more of the exchange offers or to terminate one or more of the exchange offers if any of the conditions set forth below under Conditions have not been satisfied, by giving oral or written notice of any delay, extension or termination to the exchange agent or (2) to amend the terms of the exchange offers in any manner. In the event of a material change in one or more of the exchange offers, including the waiver of a material condition to one or more of the exchange offers, we will extend such exchange offer(s), if necessary, so that a period of at least five business days remains in the exchange offer(s) following notice of a material change. Such decision will also be communicated in a press release or other public announcement prior to 9:00 a.m., New York City time, on the next business day following such decision. Any announcement of delay in acceptance, extension, termination or amendment will be followed promptly by oral or written notice thereof to the registered holders.

### **Interest on the Exchange Notes**

The exchange notes will bear interest from their date of issuance. Holders of outstanding notes that are accepted for exchange will receive accrued interest thereon to, but not including, the date of issuance of the exchange notes. Such interest will be paid with the first interest payment on the Senior Secured Exchange Notes and the Senior Exchange Notes on \_\_\_\_\_ and \_\_\_\_\_, respectively. Interest on the outstanding notes accepted for exchange will cease to accrue upon issuance of the exchange notes.

Interest on the Senior Secured Exchange Notes is payable semi-annually on each June 15 and December 15, commencing on \_\_\_\_\_. Interest on the Senior Exchange Notes is payable semi-annually on each April 1 and October 1, commencing on \_\_\_\_\_.

### **Procedures for Tendering**

Only a holder of outstanding notes may tender outstanding notes in the exchange offers. To tender in the exchange offers, a holder must complete, sign and date the letter of transmittal, or a facsimile thereof, have the signatures thereon guaranteed if required by the letter of transmittal or transmit an agent's message in connection with a book-entry transfer, and mail or otherwise deliver the letter of transmittal or the facsimile, together with the

---

**Table of Contents**

outstanding notes and any other required documents, to the exchange agent prior to 12:00 a.m., midnight, New York City time, on the expiration date. To be tendered effectively, the outstanding notes, letter of transmittal or an agent's message and other required documents must be completed and received by the exchange agent at the address set forth below under Exchange Agent prior to 12:00 a.m., midnight, New York City time, on the expiration date. Delivery of the outstanding notes may be made by book-entry transfer in accordance with the procedures described below. Confirmation of the book-entry transfer must be received by the exchange agent prior to the expiration date.

The term agent's message means a message, transmitted by a book-entry transfer facility to, and received by, the exchange agent forming a part of a confirmation of a book-entry, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the outstanding notes that the participant has received and agrees: (1) to participate in ATOP; (2) to be bound by the terms of the letter of transmittal; and (3) that we may enforce the agreement against the participant.

To participate in the exchange offers, each holder will be required to make the following representations to us:

Any exchange notes to be received by the holder will be acquired in the ordinary course of its business.

At the time of the commencement of the exchange offers, the holder has no arrangement or understanding with any person to participate in the distribution, within the meaning of Securities Act, of the exchange notes in violation of the Securities Act.

The holder is not our affiliate as defined in Rule 405 promulgated under the Securities Act.

If the holder is not a broker-dealer, it is not engaged in, and does not intend to engage in, the distribution of exchange notes.

If the holder is a broker-dealer that will receive exchange notes for its own account in exchange for outstanding notes that were acquired as a result of market-making or other trading activities, the holder will deliver a prospectus in connection with any resale of the exchange notes. We refer to these broker-dealers as participating broker-dealers.

The holder is not a broker-dealer tendering outstanding notes directly acquired from us for its own account.

The holder is not acting on behalf of any person or entity that could not truthfully make these representations.

The tender by a holder and our acceptance thereof will constitute an agreement between the holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal or agent's message.

**The method of delivery of outstanding notes and the letter of transmittal or agent's message and all other required documents to the exchange agent is at the election and sole risk of the holder. As an alternative to delivery by mail, holders may wish to consider overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. No letter of transmittal or outstanding notes should be sent to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or nominees to effect the above transactions for them.**

Any beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact the registered holder promptly and instruct the registered holder to tender on the beneficial owner's behalf. See Instructions to Registered Holder and/or Book-Entry Transfer Facility Participant from Beneficial Owner included with the letter of transmittal.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member of the Medallion System unless the outstanding notes tendered pursuant to the letter of transmittal are tendered (1) by a registered holder who has not completed the box entitled Special Registration Instructions or



---

## **Table of Contents**

Special Delivery Instructions on the letter of transmittal or (2) for the account of a member firm of the Medallion System. In the event that signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantee must be by a member firm of the Medallion System.

If the letter of transmittal is signed by a person other than the registered holder of any outstanding notes listed in this prospectus, the outstanding notes must be endorsed or accompanied by a properly completed bond power, signed by the registered holder as the registered holder's name appears on the outstanding notes with the signature thereon guaranteed by a member firm of the Medallion System.

If the letter of transmittal or any outstanding notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, the person signing should so indicate when signing, and evidence satisfactory to us of its authority to so act must be submitted with the letter of transmittal.

We understand that the exchange agent will make a request promptly after the date of this prospectus to establish accounts with respect to the outstanding notes at DTC for the purpose of facilitating the exchange offers, and subject to the establishment thereof, any financial institution that is a participant in DTC's system may make book-entry delivery of outstanding notes by causing DTC to transfer the outstanding notes into the exchange agent's account with respect to the outstanding notes in accordance with DTC's procedures for the transfer. Although delivery of the outstanding notes may be effected through book-entry transfer into the exchange agent's account at DTC, unless an agent's message is received by the exchange agent in compliance with ATOP, an appropriate letter of transmittal properly completed and duly executed with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the exchange agent at its address set forth in this prospectus on or prior to the expiration date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under the procedures. Delivery of documents to DTC does not constitute delivery to the exchange agent.

All questions as to the validity, form, eligibility, including time of receipt, acceptance of tendered outstanding notes and withdrawal of tendered outstanding notes will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any and all outstanding notes not properly tendered or any outstanding notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right in our sole discretion to waive any defects, irregularities or conditions of tender as to particular outstanding notes, provided however that, to the extent such waiver includes any condition to tender, we will waive such condition as to all tendering holders. Our interpretation of the terms and conditions of the exchange offers, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of outstanding notes must be cured within the time we determine. Although we intend to notify holders of defects or irregularities with respect to tenders of outstanding notes, neither we, the exchange agent nor any other person will incur any liability for failure to give the notification. Tenderees of outstanding notes will not be deemed to have been made until the defects or irregularities have been cured or waived. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned by the exchange agent to the tendering holders, unless otherwise provided in the letter of transmittal, promptly following the expiration date.

### **Guaranteed Delivery Procedures**

Holders who wish to tender their outstanding notes and (1) whose outstanding notes are not immediately available, (2) who cannot deliver their outstanding notes, the letter of transmittal or any other required documents to the exchange agent or (3) who cannot complete the procedures for book-entry transfer, prior to the expiration date, may effect a tender if:

1. the tender is made through a member firm of the Medallion System;
2. prior to the expiration date, the exchange agent receives from a member firm of the Medallion System a properly completed and duly executed Notice of Guaranteed Delivery by facsimile transmission, mail or hand delivery setting forth the name and address of the holder, the certificate number(s) of the outstanding notes and the principal amount of outstanding notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the

---

## **Table of Contents**

letter of transmittal or facsimile thereof together with the certificate(s) representing the outstanding notes or a confirmation of book-entry transfer of the outstanding notes into the exchange agent's account at DTC, and any other documents required by the letter of transmittal will be deposited by the member firm of the Medallion System with the exchange agent; and

3. the properly completed and executed letter of transmittal of facsimile thereof, as well as the certificate(s) representing all tendered outstanding notes in proper form for transfer or a confirmation of book-entry transfer of the outstanding notes into the exchange agent's account at DTC, and all other documents required by the letter of transmittal are received by the exchange agent within three New York Stock Exchange trading days after the expiration date.

Upon request to the exchange agent, a Notice of Guaranteed Delivery will be sent to holders who wish to tender their outstanding notes according to the guaranteed delivery procedures set forth above.

### **Withdrawal of Tenders**

Except as otherwise provided in this prospectus, tenders of outstanding notes may be withdrawn at any time prior to 12:00 a.m., midnight, New York City time, on the expiration date.

To withdraw a tender of outstanding notes in the exchange offers, either a notice of withdrawal must be received by the exchange agent at its address set forth in this prospectus or you must comply with the appropriate withdrawal procedures of DTC's ATOP. Any notice of withdrawal must be in writing and:

1. specify the name of the person having deposited the outstanding notes to be withdrawn;
2. identify the outstanding notes to be withdrawn, including the certificate number(s) and principal amount of the outstanding notes, or, in the case of outstanding notes transferred by book-entry transfer, the name and number of the account at DTC to be credited;
3. be signed by the holder in the same manner as the original signature on the letter of transmittal by which the outstanding notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer sufficient to have the trustee with respect to the outstanding notes register the transfer of the outstanding notes into the name of the person withdrawing the tender; and
4. specify the name in which any outstanding notes are to be registered, if different from that of the person depositing the outstanding notes to be withdrawn.

All questions as to the validity, form and eligibility, including time of receipt, of the notices will be determined by us, which determination will be final and binding on all parties. Any outstanding notes so withdrawn will be deemed not to have been validly tendered for purposes of the exchange offers and no exchange notes will be issued with respect thereto unless the outstanding notes so withdrawn are validly retendered. Any outstanding notes which have been tendered but which are not accepted for exchange will be returned to the holder thereof without cost to the holder promptly after withdrawal, rejection of tender or termination of the exchange offers. Properly withdrawn outstanding notes may be retendered by following one of the procedures described above under Procedures for Tendering at any time prior to the expiration date.

### **Conditions**

Notwithstanding any other term of the exchange offers, we will not be required to accept for exchange, or exchange notes for, any outstanding notes, and may terminate or amend the exchange offers as provided in this prospectus prior to the expiration of the exchange offers, if:

1. any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offers which might materially impair our ability to proceed with the exchange offers; or



---

## **Table of Contents**

2. any material adverse development has occurred with respect to us or any of our subsidiaries which might materially impair our ability to proceed with the exchange offers; or
3. any law, statute, rule, regulation or interpretation by the staff of the SEC is proposed, adopted or enacted, which might materially impair our ability to proceed with the exchange offers or materially impair the contemplated benefits of the exchange offers to us; or
4. any governmental approval has not been obtained, which approval is necessary for the consummation of the exchange offers as contemplated by this prospectus.

If we determine in our reasonable discretion that any of the conditions are not satisfied, we may (1) refuse to accept any outstanding notes and return all tendered outstanding notes to the tendering holders, (2) extend the exchange offers and retain all outstanding notes tendered prior to the expiration of the exchange offers, subject, however, to the rights of holders to withdraw the outstanding notes (see **Withdrawal of Tenders**) or (3) waive the unsatisfied conditions with respect to the exchange offers and accept all properly tendered outstanding notes which have not been withdrawn. All conditions to the exchange offers, other than those dependent upon receipt of necessary governmental approvals, must be satisfied or waived by us at or prior to the expiration of the exchange offers.

### **Exchange Agent**

U.S. Bank National Association has been appointed as exchange agent for the exchange offers. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for Notice of Guaranteed Delivery should be directed to the exchange agent addressed as follows:

#### **By Overnight Courier or Registered/Certified Mail:**

U.S. Bank National Association

Corporate Trust Services

60 Livingston Avenue

St. Paul, MN 55107

Attention: Specialized Finance Department

**Delivery to an address other than set forth above will not constitute a valid delivery.**

#### **Facsimile Transmission:**

(651) 495-8145

#### **For information or to confirm receipt of facsimile by**

#### **telephone (call toll-free):**

(800) 934-6802

### **Fees and Expenses**

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, additional solicitation may be made by telephone, in person or by other means by our and our affiliates' officers and regular employees.

We have not retained any dealer-manager in connection with the exchange offers and will not make any payments to brokers, dealers or others soliciting acceptances of the exchange offers. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses incurred in connection with these services.

We will pay the cash expenses to be incurred by us in connection with the exchange offers. Such expenses include fees and expenses of the exchange agent and trustee, accounting and legal fees and printing costs, among others.

### **Accounting Treatment**

The exchange notes will be recorded at the same carrying value as the outstanding notes, which is face value, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes as a result of the exchange offers.





## **Table of Contents**

### **Consequences of Failure to Exchange**

The outstanding notes that are not exchanged for exchange notes pursuant to the exchange offers (or any outstanding notes issued subsequent to the expiration date) will remain restricted securities. Accordingly, the outstanding notes may be resold only:

1. to us upon redemption thereof or otherwise;
  2. so long as the outstanding notes are eligible for resale pursuant to Rule 144A, to a person inside the United States whom the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A, in accordance with Rule 144 under the Securities Act, or pursuant to another exemption from the registration requirements of the Securities Act, which other exemption is based upon an opinion of counsel reasonably acceptable to us;
  3. outside the United States to a foreign person in a transaction meeting the requirements of Rule 904 under the Securities Act; or
  4. pursuant to an effective registration statement under the Securities Act,
- in each case in accordance with any applicable securities laws of any state of the United States.

After completion of the exchange offers, we will have no further obligation to provide for the registration under the Securities Act of any outstanding notes (or notes subsequently issued) except in limited circumstances with respect to specific types of holders of outstanding notes and we do not intend to register any remaining outstanding notes (or subsequently issued notes) under the Securities Act.

### **Resale of the Exchange Notes**

With respect to resales of exchange notes, based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe that a holder or other person who receives exchange notes, other than a person that is our affiliate within the meaning of Rule 405 under the Securities Act, in exchange for outstanding notes in the ordinary course of business and who is not participating, does not intend to participate, and has no arrangement or understanding with any person to participate, in the distribution of the exchange notes, will be allowed to resell the exchange notes to the public without further registration under the Securities Act and without delivering to the purchasers of the exchange notes a prospectus that satisfies the requirements of Section 10 of the Securities Act. However, if any holder of outstanding notes acquires exchange notes in the exchange offers for the purpose of distributing or participating in a distribution of the exchange notes, the holder cannot rely on the position of the staff of the SEC expressed in the no-action letters or any similar interpretive letters, and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction, unless an exemption from registration is otherwise available. Further, each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the outstanding notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes.

**Table of Contents**

**USE OF PROCEEDS**

This exchange offers are intended to satisfy certain of our obligations under the Registration Rights Agreements. We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes contemplated by this prospectus, we will receive outstanding notes in like principal amount, the form and terms of which are the same as the form and terms of the exchange notes, except as otherwise described in this prospectus.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated cash and cash equivalents and capitalization as of June 30, 2011. This information should be read in conjunction with Selected Historical Consolidated Financial and Operating Data, Management's Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated financial statements and related notes appearing elsewhere in this prospectus.

(in millions)	As of June 30, 2011 (unaudited)
Cash and cash equivalents	\$ 44.6
Total debt (including current portion):	
ABL Facility (1)	\$ 160.0
Term Loan Facility	1,540.5
Senior Secured Notes	500.0
Senior Notes	1,175.0
Existing Senior Notes	129.0
Existing Senior Subordinated Notes	721.5
<b>Total debt (including current portion) (2)</b>	<b>4,226.0</b>
Shareholders' deficit	(69.3)
<b>Total capitalization</b>	<b>\$ 4,156.7</b>

- (1) In connection with the Acquisition, we entered into the ABL Facility, which originally consisted of a five-year senior secured revolving credit facility maturing on October 12, 2012 providing for borrowings and issuances of letters of credit of up to \$800 million, subject to borrowing base limitations. On June 24, 2011, we refinanced the ABL Facility to provide for borrowings and issuances of letters of credit of up to \$900.0 million, subject to borrowing base limitations. As of June 30, 2011, we had approximately \$705.9 million available for additional borrowing under our ABL Facility after taking into account borrowing base limitations (net of \$21.8 million of issued and undrawn letters of credit and \$12.3 million of reserves related to our floorplan sub-facility).
- (2) This amount does not include any of the \$118.0 million in obligations outstanding under our inventory financing agreements as of June 30, 2011. We include these obligations in current liabilities and not in total debt because we have not in the past incurred, and in the future do not expect to incur, any interest expense or late fees under these arrangements. For more information, see Description of Certain Indebtedness.

---

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following table sets forth our selected historical consolidated financial and operating data for the periods ended and as of the dates indicated below. The application of purchase accounting in connection with the Acquisition resulted in a new entity for financial reporting purposes. We refer to Target and its subsidiaries prior to the Acquisition as the Predecessor. We refer to Parent and its subsidiaries (including Target) following the Acquisition as the Successor. We have derived the selected historical consolidated financial and operating data presented below as of December 31, 2009 and December 31, 2010 and for the years ended December 31, 2008, 2009 and 2010 from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus. The selected historical consolidated financial and operating data presented below as of June 30, 2011 and for the six months ended June 30, 2010 and 2011 have been derived from the unaudited financial statements included elsewhere in this prospectus. The selected historical consolidated financial and operating data as of December 31, 2007 and December 31, 2008 and for the period October 12, 2007 through December 31, 2007 have been derived from Successor's audited consolidated financial statements as of and for those periods, which are not included in this prospectus. The selected historical consolidated financial and operating data as of December 31, 2006 and October 11, 2007 and for the year ended December 31, 2006 and the period January 1, 2007 through October 11, 2007 have been derived from Predecessor's audited consolidated financial statements as of and for those periods, which are not included in this prospectus. As part of the Acquisition on October 12, 2007, we entered into various financing arrangements and, as a result, we now have a different capital structure than we had prior to the Acquisition. Accordingly, the results of operations for periods subsequent to the Acquisition will not necessarily be comparable to prior periods.

The selected historical consolidated financial and operating data set forth below are not necessarily indicative of the results of future operations and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors, Use of Proceeds, Capitalization and our historical financial statements and the related notes and other information included elsewhere in this prospectus.

The following are some of the items affecting comparability of the selected historical consolidated financial and operating data for the periods presented:

In connection with the Acquisition, the purchase price of Predecessor was allocated to the assets acquired and liabilities assumed based on their estimated fair market values on October 12, 2007. This purchase price allocation resulted in significant changes to certain balance sheet items, including deferred income tax assets and liabilities, property and equipment, intangible assets and goodwill.

In connection with the Acquisition, we entered into various financing arrangements on October 12, 2007, of which \$4,640.0 million was funded at closing of the Acquisition. This resulted in significantly increased interest expense for all periods subsequent to the Acquisition. See Summary The Acquisition Transactions and Related Financing Events.

In connection with the Acquisition, we recorded customer relationships, trade names, internally developed software and other intangible assets with an estimated fair value of \$2,323.8 million. These assets are amortized on a straight-line basis over their estimated useful lives which range from five to twenty years. This resulted in significantly increased amortization expense for all periods subsequent to the Acquisition.

In connection with the Acquisition, we incurred certain Acquisition-related costs. This included investment banking, legal and other third-party costs, along with non-cash equity-based compensation expense resulting from the accelerated vesting of stock options and restricted stock units in connection with the Acquisition. During the periods January 1, 2007 to October 11, 2007, and October 12, 2007 to December 31, 2007 we incurred \$144.4 million and \$26.7 million, respectively, of these Acquisition-related costs.

During the years ended December 31, 2008 and 2009, we recorded goodwill impairment charges of \$1,712.0 million and \$241.8 million, respectively. These impairments were primarily attributable to deterioration in macroeconomic conditions and overall declines in net sales.



**Table of Contents**

(in millions)	Predecessor			Successor				
	Year Ended December 31, 2006	Period from January 1, 2007 to October 11, 2007	Period from October 12, 2007 to December 31, 2008	Year Ended December 31, 2009, 2010, 2011			Six Months Ended June 30, 2010, 2011	
<b>Statement of Operations Data:</b>								
Net sales	\$ 6,785.5	\$ 6,344.3	\$ 1,800.2	\$ 8,071.2	\$ 7,162.6	\$ 8,801.2	\$ 4,157.4	\$ 4,541.7
Cost of sales	5,715.7	5,320.8	1,505.8	6,710.2	6,029.7	7,410.4	3,491.7	3,788.4
Gross profit	1,069.8	1,023.5	294.4	1,361.0	1,132.9	1,390.8	665.7	753.3
Selling and administrative expenses	530.1	656.0	221.8	894.8	821.1	932.1	454.0	474.8
Advertising expense	118.3	97.3	27.0	141.3	101.9	106.0	44.8	58.6
Litigation settlement	25.0							
Goodwill impairment				1,712.0	241.8			
Income (loss) from operations	396.4	270.2	45.6	(1,387.1)	(31.9)	352.7	166.9	219.9
Interest income (expense), net	19.8	16.8	(104.6)	(390.3)	(431.7)	(391.9)	(183.5)	(157.8)
Net gain (loss) on extinguishments of long-term debt						2.0	9.2	(118.9)
Other (expense) income, net	(1.8)	(0.6)	0.2	0.2	2.4	0.2	0.1	0.5
Income (loss) before income taxes	414.4	286.4	(58.8)	(1,777.2)	(461.2)	(37.0)	(7.3)	(56.3)
Income tax (expense) benefit	(148.3)	(112.1)	18.5	12.1	87.8	7.8	2.5	17.3
Net income (loss)	\$ 266.1	\$ 174.3	\$ (40.3)	\$ (1,765.1)	\$ (373.4)	\$ (29.2)	\$ (4.8)	\$ (39.0)
<b>Balance Sheet Data (at period end):</b>								
Cash, cash equivalents and marketable securities	\$ 391.6	\$ 664.3	\$ 15.6	\$ 94.4	\$ 88.0	\$ 36.6	\$ 26.1	\$ 44.6
Working capital	1,020.2	1,418.3	836.0	877.6	923.2	675.4	725.4	775.7
Total assets (1)	2,008.1	2,615.2	8,296.4	6,276.3	5,976.0	5,943.8	6,005.8	6,021.9
Total debt and capitalized lease obligations (2)	0.8	0.3	4,617.7	4,633.5	4,621.9	4,290.0	4,362.8	4,226.0
Total shareholders' equity (deficit)	1,387.2	1,737.4	2,068.9	262.2	(44.7)	(43.5)	(49.4)	(69.3)
<b>Other Financial Data:</b>								
Capital expenditures	\$ 85.6(3)	\$ 38.7	\$ 8.0	\$ 41.1	\$ 15.6	\$ 41.5	\$ 10.5	\$ 16.7
Depreciation and amortization	28.1	33.7	46.3	218.4	218.2	209.4	105.1	102.4
Gross profit as a percentage of net sales	15.8%	16.1%	16.4%	16.9%	15.8%	15.8%	16.0%	16.6%
Ratio of earnings to fixed charges (4)	84:1	63:1	(a)	(a)	(a)	(a)	(a)	(a)
EBITDA (5)	422.7	303.3	92.1	(1,168.5)	188.7	564.3	281.3	203.9
Adjusted EBITDA (5)	471.4	456.9	125.0	570.6	465.4	601.8	292.3	343.0
<b>Statement of Cash Flows Data:</b>								
Net cash provided by (used in):								
Operating activities (6)	\$ 155.2	\$ 198.8	\$ (123.7)	\$ 215.4	\$ 107.6	\$ 423.7	\$ 161.8	\$ 129.8
Investing activities	(99.6)	200.0	(6,399.6)	(60.3)	(82.6)	(125.4)	(55.8)	(26.5)
Financing activities (6)	(108.7)	115.9	6,539.0	(75.8)	(31.9)	(350.1)	(167.7)	(95.7)

(1) Reclassifications have been made to historical amounts to conform to the current presentation.

(2) Excludes borrowings of \$108.1 million, \$122.8 million, \$75.3 million, \$34.1 million, \$25.0 million, \$28.2 million, \$123.5 million and \$118.0 million, as of December 31, 2006, October 11, 2007, December 31, 2007, December 31, 2008, December 31, 2009, December 31, 2010, June 30, 2010 and June 30, 2011, respectively, under our inventory financing agreements. We do not include these borrowings in total debt because we have not in the past incurred, and in the future do not expect to incur, any interest expense or late fees under these agreements. For more information, see Description of Certain Indebtedness.

(3) Includes \$29.6 million for the purchase of our North Las Vegas, Nevada distribution center in December 2006.

**Table of Contents**

- (4) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings before income taxes minus income from equity investees plus fixed charges. Fixed charges consist of interest expensed and the portion of rental expense we believe is representative of the interest component of rental expense.
- (a) For the period October 12, 2007 to December 31, 2007, the years ended December 31, 2008, 2009 and 2010, and the six months ended June 30, 2010 and 2011, earnings available for fixed charges were inadequate to cover fixed charges by \$58.8 million, \$1,777.2 million, \$461.2 million, \$37.0 million, \$7.2 million and \$56.2 million, respectively.
- (5) EBITDA is defined as consolidated net income (loss) before interest income (expense), income tax benefit (expense), depreciation, and amortization. Adjusted EBITDA, which is a measure defined in our Senior Credit Facilities, is calculated by adjusting EBITDA for certain items of income and expense including (but not limited to) the following: (a) non-cash equity-based compensation; (b) goodwill impairment charges; (c) sponsor fees; (d) certain consulting fees; (e) debt-related legal and accounting costs; (f) equity investment gains and losses; (g) certain severance and retention costs; (h) gains and losses from the early extinguishment of debt; (i) gains and losses from asset dispositions outside the ordinary course of business; (j) Acquisition-related costs; (k) equity compensation payroll taxes; and (l) non-recurring, extraordinary or unusual gains or losses or expenses.

We have included a reconciliation of EBITDA and Adjusted EBITDA in the table below. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance and cash flows including our ability to meet our future debt service, capital expenditures, and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our Senior Credit Facilities.

The following unaudited table sets forth reconciliations of GAAP net income (loss) to EBITDA and EBITDA to Adjusted EBITDA for the periods presented:

(in millions)	Predecessor		Historical					
	Year Ended December 31, 2006	Period from January 1, 2007 to October 11, 2007	Period from October 12, 2007 to December 31, 2007	Successor			Six Months Ended June 30,	
				Year Ended December 31, 2008	2009	2010	2010	2011
Net income (loss)	\$ 266.1	\$ 174.3	\$ (40.3)	\$ (1,765.1)	\$ (373.4)	\$ (29.2)	\$ (4.8)	\$ (39.0)
Depreciation and amortization	28.1	33.7	46.3	218.4	218.2	209.4	105.1	102.4
Income tax expense (benefit)	148.3	112.1	(18.5)	(12.1)	(87.8)	(7.8)	(2.5)	(17.3)
Interest (income) expense, net	(19.8)	(16.8)	104.6	390.3	431.7	391.9	183.5	157.8
<b>EBITDA</b>	<b>422.7</b>	<b>303.3</b>	<b>92.1</b>	<b>(1,168.5)</b>	<b>188.7</b>	<b>564.3</b>	<b>281.3</b>	<b>203.9</b>
Non-cash equity-based compensation	15.8	7.5	4.2	17.8	15.9	11.5	8.4	8.1
Acquisition-related costs (1)		144.4	26.7					
Sponsor fees			2.0	5.0	5.0	5.0	2.5	2.5
Goodwill impairment				1,712.0	241.8			
Consulting and debt-related professional fees				4.3	14.1	15.1	5.6	4.1
Net (gain) loss on extinguishments of long-term debt						(2.0)	(9.2)	118.9
Litigation settlement	25.0							
Other adjustments (2)	7.9	1.7			(0.1)	7.9	3.7	5.5
<b>Adjusted EBITDA</b>	<b>\$ 471.4</b>	<b>\$ 456.9</b>	<b>\$ 125.0</b>	<b>\$ 570.6</b>	<b>\$ 465.4</b>	<b>\$ 601.8</b>	<b>\$ 292.3</b>	<b>\$ 343.0</b>

- (1) Non-cash equity-based compensation expense of \$25.3 million related to the Acquisition is included in Acquisition-related costs in the Predecessor period from January 1, 2007 to October 11, 2007.
- (2) Includes certain severance and retention costs, certain consulting fees, debt-related legal and accounting costs, equity investment gains and losses and the gain related to the sale of the Informacast software and equipment for periods subsequent to the Acquisition. Includes equity compensation payroll taxes and certain severance costs for periods prior to the Acquisition.



**Table of Contents**

The following unaudited table sets forth a reconciliation of EBITDA to net cash provided by (used in) operating activities for the periods presented:

(in millions)	Predecessor		Period from October 12, 2007 to December 31, 2007	Historical			Six Months Ended June 30,	
	Year Ended December 31, 2006	Period from January 1, 2007 to October 11, 2007		Year Ended December 31, 2008	2009	2010	2010	2011
EBITDA	\$ 422.7	\$ 303.3	\$ 92.1	\$ (1,168.5)	\$ 188.7	\$ 564.3	\$ 281.3	\$ 203.9
Depreciation and amortization	(28.1)	(33.7)	(46.3)	(218.4)	(218.2)	(209.4)	(105.1)	(102.4)
Income tax benefit (expense)	(148.3)	(112.1)	18.5	12.1	87.8	7.8	2.5	17.3
Interest income (expense), net	19.8	16.8	(104.6)	(390.3)	(431.7)	(391.9)	(183.5)	(157.8)
Net income (loss)	266.1	174.3	(40.3)	(1,765.1)	(373.4)	(29.2)	(4.8)	(39.0)
Depreciation and amortization	28.1	33.7	46.3	218.4	218.2	209.4	105.1	102.4
Goodwill impairment				1,712.0	241.8			
Equity-based compensation expense	15.8	32.8	4.2	17.8	15.9	11.5	8.4	8.1
Amortization of deferred financing costs			13.4	38.6	16.2	18.0	9.0	7.7
Deferred income taxes	(13.7)	(24.1)	(12.6)	(39.9)	(94.4)	(4.3)	(29.3)	(17.5)
Allowance for doubtful accounts		(3.9)		0.4	(0.2)	(1.3)	(1.3)	0.9
Realized loss (gain) on interest rate swap agreements				18.6	103.2	51.5	12.8	2.8
Mark to market loss on interest rate derivatives						4.7	3.5	2.0
Net (gain) loss on extinguishments of long-term debt						(2.0)	(9.2)	118.9
Gross excess tax benefits from equity-based compensation	(17.1)	(73.6)						
Net loss (gain) on sale and disposals of assets		0.6		0.5	(1.7)	0.7		
Changes in assets and liabilities	(123.8)	59.0	(134.8)	14.1	(18.0)	165.3	67.6	(55.9)
Other non-cash items	(0.2)		0.1			(0.6)		(0.6)
Net cash provided by (used in) operating activities (6)	\$ 155.2	\$ 198.8	\$ (123.7)	\$ 215.4	\$ 107.6	\$ 423.7	\$ 161.8	\$ 129.8

- (6) Amounts have been revised. For further information and a summary of the revisions for the years ended December 31, 2008, 2009 and 2010, see Notes 1 and 20 to the Audited Financial Statements included in this prospectus. For further information and a summary of the revisions for the six months ended June 30, 2010 and 2011, see Note 1 to the Unaudited Interim Financial Statements included in this prospectus. The revisions for the year ended December 31, 2006 and the period from January 1, 2007 to October 11, 2007 resulted in a reduction to cash flows from operating activities of \$64.3 million and \$14.7 million, respectively, with an equal and offsetting increase to cash flows from financing activities. The revision for the period from October 12, 2007 to December 31, 2007 resulted in an increase to cash flows from operating activities of \$47.5 million with an equal and offsetting decrease to cash flows from financing activities.

---

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section entitled "Selected Historical Consolidated Financial and Operating Data" and our historical audited consolidated financial statements and the related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties, including but not limited to those described in the section entitled "Risk Factors." Actual results may differ materially from those contained in any forward-looking statements.*

**Overview**

We are a leading multi-brand technology solutions provider to business, government, education and healthcare customers in the U.S. and Canada. We provide comprehensive and integrated solutions for our customers' technology needs through our extensive hardware, software and value-added service offerings. Our breadth of offerings allows our customers to streamline their procurement processes by partnering with us as a complete technology solutions provider. Our hardware offerings include products with leading brands across multiple categories such as network communications, notebooks/mobile devices, data storage, video monitors, printers, desktops and servers, among others. Our software offerings include licensing, licensing management and software solutions and services that help our customers to optimize their software investments. We offer a full suite of value-added services, which typically are delivered as part of a technology solution, to help our customers meet their specific needs. Our solutions range from configuration services for computer devices to fully integrated solutions such as virtualization, collaboration, security, mobility, data center optimization and cloud computing. We also offer complementary services including installations, sales of warranties and managed services such as remote network and data center monitoring. We believe both software and service offerings will be important growth areas for us in the future.

We have two reportable segments: Corporate, which is comprised primarily of business customers, and Public, which is comprised of government entities and education and healthcare institutions. Our Corporate segment is divided into a medium-large business customer channel, primarily serving customers having between 100 and 1,000 employees, and a small business customer channel, primarily serving customers with up to 100 employees. We also have two other operating segments, CDW Advanced Services and Canada, which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as Other. The CDW Advanced Services business consists primarily of customized engineering services delivered by CDW professional engineers and managed services, including hosting and data center services. Revenues from the sale of hardware, software, custom configuration and third-party provided services are recorded within our Corporate and Public segments.

Our business is well-diversified across customers, product and service offerings and vendors from whom we purchase products and software for resale. We have aligned our sales and marketing functions around customer channels to retain and increase our sales to existing customers and to acquire new customers. We have an experienced and dedicated direct selling organization consisting of account managers who provide inside sales coverage, and field account executives who work within an assigned territory and interact with customers in person. Our direct selling organization is supported by a team of technology specialists who design solutions and provide recommendations in the selection and procurement processes. We purchase products for resale from OEMs and distributors. We believe that effective purchasing from a diverse vendor base is a key element of our business strategy. We are authorized by OEMs to sell via direct marketing all or selected products offered by the manufacturer. We also operate as a reseller for major software publishers that allows the end-user customer to acquire packaged software or licensed products and services. Our authorization with each OEM or software publisher may include one or more of the following: product return privileges, price protection policies, purchase discounts and vendor incentive programs, such as volume rebates and cooperative advertising reimbursements.

We market the CDW brand on a national basis through a variety of public and community relations and corporate communications efforts, and through brand advertising that includes the use of print, broadcast, online, social and other media. We also market to current and prospective customers through integrated marketing programs that include print and online media, events and sponsorships. As a result of our relationships with our vendors, a substantial portion of our advertising and marketing expenses are reimbursed through cooperative advertising reimbursement programs. Such programs are at the discretion of our vendors and are typically tied to sales or purchasing volumes or other commitments to be met by us within a specified period of time.

---

## **Table of Contents**

An important factor affecting our ability to generate sales and achieve our targeted operating results is the impact of general economic conditions on our customers' willingness to spend on information technology. During the recent economic downturn beginning in late 2008 and into 2009, we experienced significantly lower sales and gross profit as our customers generally reduced spending on information technology products and services. During 2010, we experienced significant increases in sales, gross profit and operating income compared to 2009. In the first six months of 2011, we have continued to experience year-over-year increases in sales, gross profit and operating income at a more moderate level compared to the higher growth rates we experienced in 2010. While general economic conditions and our recent operating results have generally improved, competitive pricing pressures continue in the market. Downturns in the global economy, declines in the availability of credit, weakening consumer and business confidence or increased unemployment could result in reduced spending by our customers on information technology products and services and increased competitive pricing pressures. Our Public segment sales are impacted by government spending policies, budget priorities and revenue levels. Although our sales to the federal government are diversified across multiple agencies and departments, they collectively accounted for 11.0% of our net sales in 2010. Further, our sales to state and local governments accounted for 4.6% of our net sales in 2010. An adverse change in any of these factors could cause our Public segment customers to reduce their purchases or to terminate or not renew contracts with us, which could adversely affect our business, results of operations or cash flows. See **Risk Factors** **Risks Relating to our Business** for further discussion.

Our management monitors a number of financial and non-financial measures and ratios on a regular basis in order to track the progress of our business and make adjustments as necessary. We believe that the most important of these measures and ratios include average daily sales, gross margin, operating margin, EBITDA and Adjusted EBITDA, cash and cash equivalents, net working capital, cash conversion cycle (defined to be days of sales outstanding in accounts receivable plus days of supply in inventory minus days of purchases outstanding in accounts payable), debt levels including available credit and leverage ratios, sales per coworker and coworker turnover. These measures and ratios are compared to standards or objectives set by management, so that actions can be taken, as necessary, in order to achieve the standards and objectives. Adjusted EBITDA, a non-GAAP financial measure, also provides helpful information as it is the primary measure used in certain financial covenants contained in our Senior Credit Facilities.

## **Background and Basis of Presentation**

### ***Corporate and Capital Structure***

On October 12, 2007, Parent completed the Acquisition pursuant to which it acquired Target. For financial reporting purposes, we refer to Target and its subsidiaries prior to the Acquisition as the **Predecessor** and we refer to Parent and its subsidiaries (including Target) following the Acquisition as the **Successor**.

Upon completion of the Acquisition, the outstanding common stock of Target was converted into the right to receive cash, the common stock was delisted and deregistered and Target became a wholly owned subsidiary of Parent. Parent is owned directly by CDW Holdings. CDW Holdings is controlled by investment funds affiliated with the Equity Sponsors, certain other co-investors and the Management Investors. On December 31, 2009, Target merged into CDWC LLC, a limited liability company wholly owned by Parent with CDWC LLC as the surviving company in the merger. This change had no impact on operations or management. On December 31, 2009, CDWC LLC was renamed CDW LLC. On August 17, 2010, Parent was renamed CDW Corporation.

Unless otherwise indicated or the context otherwise requires, the terms **we**, **us**, **the company**, **our**, **CDW** and similar terms refer to Parent and its wholly owned subsidiaries.

### ***Accompanying Financial Statements***

Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, data for all periods are derived from our consolidated financial statements included elsewhere in this prospectus, which include:

Unaudited Interim Financial Statements: the unaudited consolidated financial statements as of June 30, 2011 and for the three and six months ended June 30, 2011 and 2010 (the **Unaudited Interim Financial Statements**); and

Audited Financial Statements: the audited consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 (the **Audited Financial Statements**).



**Table of Contents****Results of Operations***Six Months Ended June 30, 2011 Compared to Six Months Ended June 30, 2010*

The following table presents our results of operations, in dollars and as a percentage of net sales, for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010	
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales
Net sales	\$ 4,541.7	100.0%	\$ 4,157.4	100.0%
Cost of sales	3,788.4	83.4	3,491.7	84.0
Gross profit	753.3	16.6	665.7	16.0
Selling and administrative expenses	474.8	10.5	454.0	10.9
Advertising expense	58.6	1.3	44.8	1.1
Income from operations	219.9	4.8	166.9	4.0
Interest expense, net	(157.8)	(3.5)	(183.5)	(4.4)
Net (loss) gain on extinguishments of long-term debt	(118.9)	(2.6)	9.2	0.2
Other income, net	0.5		0.1	
Loss before income taxes	(56.3)	(1.3)	(7.3)	(0.2)
Income tax benefit	17.3	0.4	2.5	0.1
Net loss	\$ (39.0)	(0.9)%	\$ (4.8)	(0.1)%

**Table of Contents***Net sales*

The following table presents our net sales by segment, in dollars and as a percentage of total net sales, and the year-over-year dollar and percentage change in net sales for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010		Dollar Change	Percent Change (1)
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales		
Corporate	\$ 2,617.7	57.6%	\$ 2,310.1	55.6%	\$ 307.6	13.3%
Public	1,675.1	36.9	1,651.2	39.7	23.9	1.4
Other	248.9	5.5	196.1	4.7	52.8	27.0
Total net sales	\$ 4,541.7	100.0%	\$ 4,157.4	100.0%	\$ 384.3	9.2%

(1) There were 128 and 127 selling days for the six months ended June 30, 2011 and 2010, respectively. On an average daily basis, total net sales increased 8.4%.

The following table presents our net sales by customer channel for our Corporate and Public segments and the year-over-year dollar and percentage change in net sales for the six months ended June 30, 2011 and 2010:

(in millions)	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010		Dollar Change	Percent Change
<b>Corporate:</b>						
Medium / Large	\$ 2,097.9		\$ 1,857.6		\$ 240.3	12.9%
Small Business	519.8		452.5		67.3	14.9
Total Corporate	\$ 2,617.7		\$ 2,310.1		\$ 307.6	13.3%
<b>Public:</b>						
Government	\$ 528.0		\$ 623.6		\$ (95.6)	(15.3)%
Education	557.9		565.9		(8.0)	(1.4)
Healthcare	589.2		461.7		127.5	27.6
Total Public	\$ 1,675.1		\$ 1,651.2		\$ 23.9	1.4%

Total net sales for the six months ended June 30, 2011 increased \$384.3 million, or 9.2%, to \$4,541.7 million, compared to \$4,157.4 million for the six months ended June 30, 2010. There were 128 and 127 selling days for the six months ended June 30, 2011 and 2010, respectively. On an average daily basis, total net sales increased 8.4%. The increase in total net sales was the result of general volume growth and increased demand in the information technology industry overall, in addition to our focus on growing our market share. The most significant driver of sales growth for the six months ended June 30, 2011 was hardware unit volume growth in our Corporate segment.

Corporate segment net sales for the six months ended June 30, 2011 increased \$307.6 million, or 13.3%, compared to the six months ended June 30, 2010. Within our Corporate segment, net sales to medium / large customers increased 12.9% between periods, and net sales to small business customers increased 14.9% between periods. The increase was primarily a result of hardware unit volume growth within our Corporate segment, most notably in notebook/mobile devices, as we continued to benefit from increased demand from our Corporate customers as the economy has improved. Public segment net sales for the six months ended June 30, 2011 increased \$23.9 million, or 1.4%, between periods as growth in the healthcare customer channel offset declines in the government and education customer channels. Net sales to healthcare customers increased \$127.5 million, or 27.6%, between periods, driven by hardware unit volume increases in desktop computers and notebook/mobile devices and

## Edgar Filing: CDW Corp - Form S-4/A

additional sales from an expanded relationship with a group purchasing organization beginning in the fourth quarter of 2009. Within our Public segment, net sales to government customers decreased \$95.6 million, or 15.3%, between periods, driven by a decline in net sales to Federal government customers due to negative trends in Federal government spending as a result of budget uncertainty. Net sales to education customers decreased \$8.0 million, or 1.4%, between periods.

---

**Table of Contents**

*Gross profit*

Gross profit increased \$87.5 million, or 13.2%, to \$753.3 million for the six months ended June 30, 2011, compared to \$665.7 million for the six months ended June 30, 2010. As a percentage of total net sales, gross profit was 16.6% for the six months ended June 30, 2011, up from 16.0% for the six months ended June 30, 2010. Gross profit margin increased 60 basis points between years, primarily due to favorable price/mix changes within product margin across most product categories of 30 basis points, and a higher mix of commission revenue and net service contract revenue as a proportion of net sales of 20 basis points. Commission revenue, including agency fees earned on sales of software licenses and software assurance under enterprise agreements, has a positive impact on our gross profit margin as we record the fee or commission as a component of net sales when earned and there is no corresponding cost of sales amount. Net service contract revenue, including items such as third-party services and extended warranties, also has a positive impact on gross profit margin as our cost paid to the vendor or third-party service provider is recorded as a reduction to sales, resulting in net sales being equal to the gross profit on the transaction. Increased vendor funding as a percentage of net sales also had a favorable impact of 10 basis points on gross margin. Vendor funding includes purchase discounts, volume rebates and cooperative advertising.

The gross profit margin may fluctuate based on various factors, including vendor incentive and inventory price protection programs, cooperative advertising funds classified as a reduction of cost of sales, product mix, net service contract revenue, commission revenue, pricing strategies, market conditions, and other factors, any of which could result in changes in gross profit margins.

*Selling and administrative expenses*

Selling and administrative expenses increased \$20.8 million, or 4.6%, to \$474.8 million for the six months ended June 30, 2011, compared to \$454.0 million for the six months ended June 30, 2010. The increase was primarily due to higher payroll costs of \$18.5 million driven by increased sales compensation and other variable compensation costs consistent with higher sales and gross profit. In addition, our sales force increased to 3,468 coworkers at June 30, 2011, compared to 3,360 coworkers at June 30, 2010, while total coworker count increased to 6,432 coworkers at June 30, 2011, compared to 6,140 coworkers at June 30, 2010. We also had increases in bad debt expense of \$2.8 million, profit sharing/401(k) expense of \$1.3 million and travel and entertainment expense of \$1.2 million. These increases were partially offset by lower depreciation expense of \$3.5 million, lower rent expense of \$1.4 million and lower healthcare benefits expense of \$1.0 million.

*Advertising expense*

Advertising expense increased \$13.7 million, or 30.6%, to \$58.6 million for the six months ended June 30, 2011, compared to \$44.8 million for the six months ended June 30, 2010. Higher expenses were due to increased spending on web-based and magazine advertising, costs related to our 2011 national ad campaign, e-commerce support and customer-focused marketing events, partially offset by decreased spending on television advertising. As a percentage of net sales, advertising expense was 1.3% for the six months ended June 30, 2011, compared to 1.1% for the same period in 2010.



**Table of Contents***Income (loss) from operations*

The following table presents income (loss) from operations by segment, in dollars and as a percentage of net sales, and the year-over-year percentage change in income (loss) from operations for the six months ended June 30, 2011 and 2010:

	Six Months Ended June 30, 2011		Six Months Ended June 30, 2010		Percent Change in Income (Loss) from Operations
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	
Segments: <sup>(1)</sup>					
Corporate	\$ 166.0	6.3%	\$ 125.4	5.4%	32.4%
Public	98.1	5.9	89.2	5.4	10.0
Other	8.0	3.2	7.0	3.6	14.0
Headquarters <sup>(2)</sup>	(52.2)	N/A	(54.7)	N/A	4.6
Total income (loss) from operations	\$ 219.9	4.8%	\$ 166.9	4.0%	31.8%

<sup>(1)</sup> Segment income (loss) from operations includes the segment's direct operating income (loss) and allocations for Headquarters' costs, allocations for logistics services, certain inventory adjustments and volume rebates and cooperative advertising from vendors.

<sup>(2)</sup> Includes Headquarters' function costs that are not allocated to the segments.

Income from operations was \$219.9 million for the six months ended June 30, 2011, an increase of \$53.1 million, or 31.8%, compared to \$166.9 million for the six months ended June 30, 2010. This increase was driven by higher net sales and gross profit, partially offset by higher advertising expense and selling and administrative expenses.

Corporate segment income from operations was \$166.0 million for the six months ended June 30, 2011, an increase of \$40.6 million, or 32.4%, compared to \$125.4 million for the six months ended June 30, 2010. The increase in our Corporate segment's income from operations was primarily driven by higher net sales and gross profit margin, partially offset by higher selling and administrative costs, resulting in a net increase before allocations of \$29.5 million in 2011 compared to 2010. In addition, our Corporate segment income from operations benefited from an increase of \$15.9 million in income allocations from our logistics operations for the first six months of 2011 compared to the first six months of 2010. The improved profitability of our logistics operations was driven by stronger operating leverage given higher purchase volumes while support structure costs declined. Partially offsetting the above items was an increase in Headquarters' allocations of \$4.7 million.

Public segment income from operations was \$98.1 million for the six months ended June 30, 2011, an increase of \$9.0 million, or 10.0%, compared to \$89.2 million for the six months ended June 30, 2010. The increase reflected higher operating income before allocations of \$7.1 million as a result of higher net sales and gross profit margin, partially offset by higher selling and administrative costs. In addition, our Public segment income from operations benefited from an increase of \$5.5 million in income allocations from our logistics operations for the first six months of 2011 compared to the first six months of 2010. Partially offsetting the above items was an increase in Headquarters' allocations of \$3.7 million.

The loss from operations for our Headquarters' function of \$52.2 million for the six months ended June 30, 2011 was \$2.5 million lower than the loss from operations of \$54.7 million for the same period of the prior year. The decrease of \$2.5 million reflected a net increase in costs of \$6.3 million, offset by higher intercompany allocations to the operating segments of \$8.8 million. The \$6.3 million cost increase was primarily driven by higher advertising expense, net of vendor funding.

*Interest expense, net*

At June 30, 2011, our outstanding long-term debt, excluding capital leases, totaled \$4,226.0 million. Net interest expense for the six months ended June 30, 2011 was \$157.8 million, a decrease of \$25.7 million compared to \$183.5 million for the six months ended June 30, 2010.

## Edgar Filing: CDW Corp - Form S-4/A

Interest expense was reduced by a total of \$19.4 million during the six months ended June 30, 2011, reflecting adjustments to the long-term accrued interest liability associated with the extinguishment of \$1,078.0 million of Existing Senior Notes. The long-term accrued interest liability represents the difference between interest expense previously recognized under the effective interest method and actual interest paid. The remaining decrease of \$6.3 million was primarily due to lower effective interest rates for the first six months of 2011 due to the termination of our interest rate swaps in January 2011, partially offset by non-cash gains on hedge ineffectiveness recorded to interest expense in the prior year.

**Table of Contents***Net (loss) gain on extinguishments of long-term debt*

During the six months ended June 30, 2011, we recorded a loss on extinguishments of long-term debt of \$118.9 million, as a result of debt transactions completed during the first half of 2011.

In March 2011, we amended our Term Loan Facility and recorded a loss on extinguishment of long-term debt of \$3.2 million, representing a write-off of a portion of the unamortized deferred financing costs on this facility.

In April and May 2011, we purchased \$1,078.0 million of Existing Senior Notes, funded with the issuance of \$1,175.0 million of Senior Notes. As a result, we recorded a loss on extinguishment of long-term debt of \$114.1 million, representing the difference between the purchase price of the Existing Senior Notes at 109% of par value and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In June 2011, we entered into a new \$900.0 million ABL Facility, replacing the existing \$800.0 million facility. As a result, we recorded a loss on extinguishment of long-term debt of \$1.6 million representing a write-off of a portion of the unamortized deferred financing costs related to the previous facility.

During the six months ended June 30, 2010, we recorded a gain of \$9.2 million on extinguishment of long-term debt resulting from the March 2010 repurchase of \$28.5 million of principal amount of senior subordinated debt for a purchase price of \$18.6 million. The gain represents the difference between the purchase price, including expenses paid to the debt holders and agent, and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs. The \$28.5 million in principal amount of senior subordinated debt that were repurchased were exchanged for increasing rate notes and subsequently surrendered to the indenture trustee for cancellation.

*Income tax benefit*

Income tax benefit was \$17.3 million for the six months ended June 30, 2011, compared to \$2.5 million for the same period of the prior year. The effective income tax rate, expressed by calculating income tax expense as a percentage of loss before income taxes, was 30.8% for the six months ended June 30, 2011, compared to 34.8% for the six months ended June 30, 2010. The change in the effective income tax rate was primarily due to an increase in the deferred tax rate as a result of state tax law changes enacted during 2011.

*Net loss*

The net loss was \$39.0 million for the six months ended June 30, 2011, compared to \$4.8 million for the six months ended June 30, 2010.

*Adjusted EBITDA*

Adjusted EBITDA was \$343.0 million for the six months ended June 30, 2011, an increase of \$50.6 million, or 17.3%, compared to \$292.3 million for the six months ended June 30, 2010. As a percentage of net sales, Adjusted EBITDA was 7.6% and 7.0% for the six months ended June 30, 2011 and 2010, respectively.

We have included a reconciliation of EBITDA and Adjusted EBITDA for the six months ended June 30, 2011 and 2010 in the table below. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA, which is a measure defined in our credit agreements, means EBITDA adjusted for certain items which are described in the table below. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance and cash flows including our ability to meet our future debt service, capital expenditures, and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our credit agreements. See [Selected Historical Consolidated Financial and Operating Data](#) for a reconciliation of EBITDA to cash flows from operating activities.

**Table of Contents**

(in millions)	Six Months Ended June 30,	
	2011	2010
Net loss	\$ (39.0)	\$ (4.8)
Depreciation and amortization	102.4	105.1
Income tax benefit	(17.3)	(2.5)
Interest expense, net	157.8	183.5
<b>EBITDA</b>	<b>203.9</b>	<b>281.3</b>
Adjustments:		
Non-cash equity-based compensation	8.1	8.4
Sponsor fee	2.5	2.5
Consulting and debt-related professional fees	4.1	5.6
Net loss (gain) on extinguishments of long-term debt	118.9	(9.2)
Other adjustments <sup>(1)</sup>	5.5	3.7
Total adjustments	139.1	11.0
<b>Adjusted EBITDA</b>	<b>\$ 343.0</b>	<b>\$ 292.3</b>

<sup>(1)</sup> Other adjustments include certain severance and retention costs and equity investment losses.

**Table of Contents****Year Ended December 31, 2010 Compared to Year Ended December 31, 2009**

The following table presents our results of operations, in dollars and as a percentage of net sales, for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales
Net sales	\$ 8,801.2	100.0%	\$ 7,162.6	100.0%
Cost of sales	7,410.4	84.2	6,029.7	84.2
Gross profit	1,390.8	15.8	1,132.9	15.8
Selling and administrative expenses	932.1	10.6	821.1	11.4
Advertising expense	106.0	1.2	101.9	1.4
Goodwill impairment			241.8	3.4
Income (loss) from operations	352.7	4.0	(31.9)	(0.4)
Interest expense, net	(391.9)	(4.4)	(431.7)	(6.0)
Net gain on extinguishments of long-term debt	2.0			
Other income, net	0.2		2.4	
Loss before income taxes	(37.0)	(0.4)	(461.2)	(6.4)
Income tax benefit	7.8	0.1	87.8	1.2
Net loss	\$ (29.2)	(0.3)%	\$ (373.4)	(5.2)%

*Net sales*

The following table presents our net sales by segment, in dollars and as a percentage of total net sales, and the year-over-year dollar and percentage change in net sales for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010		Year Ended December 31, 2009		Dollar Change	Percent Change (1)
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales		
Corporate	\$ 4,833.6	54.9%	\$ 3,818.2	53.3%	\$ 1,015.4	26.6%
Public	3,560.6	40.5	3,035.5	42.4	525.1	17.3
Other	407.0	4.6	308.9	4.3	98.0	31.8
Total net sales	\$ 8,801.2	100.0%	\$ 7,162.6	100.0%	\$ 1,638.5	22.9%

(1) There were 254 selling days in both the years ended December 31, 2010 and 2009.

The following table presents our net sales by customer channel for our Corporate and Public segments and the dollar and percentage change between periods in net sales for the years ended December 31, 2010 and 2009:



**Table of Contents**

(in millions)	Years Ended December 31,		Dollar Change	Percent Change
	2010	2009		
<b>Corporate:</b>				
Medium / Large	\$ 3,867.3	\$ 3,014.8	\$ 852.5	28.3%
Small Business	966.3	803.4	162.9	20.3
<b>Total Corporate</b>	<b>\$ 4,833.6</b>	<b>\$ 3,818.2</b>	<b>\$ 1,015.4</b>	<b>26.6%</b>
<b>Public:</b>				
Government	\$ 1,368.6	\$ 1,270.7	\$ 97.9	7.7%
Education	1,200.6	1,040.5	160.1	15.4
Healthcare	991.4	724.3	267.1	36.9
<b>Total Public</b>	<b>\$ 3,560.6</b>	<b>\$ 3,035.5</b>	<b>\$ 525.1</b>	<b>17.3%</b>

Total net sales in 2010 increased \$1,638.5 million, or 22.9%, to \$8,801.2 million, compared to \$7,162.6 million in 2009. There were 254 selling days in both 2010 and 2009. The increase in total net sales was the result of general growth and increased demand in the information technology industry overall, in addition to our focus on growing our market share. The most significant driver of sales growth in 2010 was the rebound by our Corporate segment, which was significantly impacted by the economic downturn in the U.S. that began in late 2008 and continued through 2009.

Corporate segment net sales in 2010 increased \$1,015.4 million, or 26.6%, compared to 2009. Within our Corporate segment, net sales to medium / large customers increased 28.3% between years, while net sales to small business customers increased 20.3%. These increases were driven by hardware unit volume growth, most notably in notebook/mobile devices and desktop computers, as we benefited from increased demand during 2010 from our Corporate segment customers who had generally postponed spending on information technology in 2009 as a result of the economic downturn. Public segment net sales in 2010 increased \$525.1 million, or 17.3%, between years driven by growth across all customer channels. Within our Public segment, sales to government customers increased 7.7% between years, but at a lesser rate than other channels, as Federal sales in 2009 included a relatively high volume of large one-time orders. Net sales to healthcare customers increased \$267.1 million, or 36.9%, between years driven by volume increases and additional sales resulting from an expanded relationship with a group purchasing organization beginning in the fourth quarter of 2009.

*Gross profit*

Gross profit increased \$258.0 million, or 22.8%, to \$1,390.8 million in 2010, compared to \$1,132.9 million in 2009, which reflected increased sales across our hardware, software and services categories. The increase in gross profit dollars was driven primarily by unit growth and favorable price/mix within the hardware sales category. Consolidated product margin remained relatively flat between years, as sustained competitive pressures in the marketplace continued to impact average selling prices. As a percentage of total net sales, gross profit was 15.8% in both 2010 and 2009. Vendor funding, including purchase discounts, volume rebates and cooperative advertising, increased in 2010, but was relatively flat as a percentage of net sales between years. Gross margin was favorably impacted by higher volume rebates both in terms of dollars and as a percentage of sales, largely offset by the impact of lower cooperative advertising income as a percentage of sales. Following the first quarter of 2010, gross profit margin by quarter improved on a year-over-year basis, as general economic conditions improved.

The gross profit margin may fluctuate based on various factors, including vendor incentive and inventory price protection programs, cooperative advertising funds classified as a reduction of cost of sales, product mix, net service contract revenue, commission revenue, pricing strategies, market conditions and other factors, any of which could result in changes in gross profit margins.

*Selling and administrative expenses*

Selling and administrative expenses increased \$111.0 million, or 13.5%, to \$932.1 million in 2010, compared to \$821.1 million in 2009. The increase was primarily due to higher payroll costs of \$100.6 million as a result of higher sales compensation and increases in other variable compensation costs such as incentive bonuses consistent with higher sales and gross profit. In addition, coworker-related costs increased \$15.5 million in 2010 compared to 2009, primarily due to an increase of \$11.9 million in profit sharing/401(k) costs, while travel and entertainment expense increased \$2.5 million and sales and use tax expense increased \$2.1 million. These increases were partially offset by lower depreciation expense of \$8.2 million and lower bad debt expense of \$3.0 million in 2010 compared to 2009. Throughout 2010, we continued to cautiously make selective investments in our coworkers as our outlook improved. Our sales force increased to 3,405 coworkers at December 31, 2010, compared to 3,307 coworkers at December 31, 2009, and total coworker count also increased to 6,268 coworkers at December 31, 2010,

compared to 6,173 coworkers at December 31, 2009.



**Table of Contents***Advertising expense*

Advertising expense increased \$4.0 million, or 4.0%, to \$106.0 million in 2010, compared to \$101.9 million in 2009. Increased expenses related to the production of a new advertising campaign, e-commerce support and customer-focused marketing events were partially offset by decreased spending in catalog production and circulation. As a percentage of net sales, advertising expense was 1.2% in 2010, compared to 1.4% in 2009.

*Goodwill impairment*

We did not record any goodwill impairment charges in 2010, as we performed and passed the annual evaluation of goodwill as of December 1, 2010. The goodwill balances at December 31, 2010 for our Corporate, Public and Other segments were \$1,223.0 million, \$907.3 million and \$78.8 million, respectively.

We recorded goodwill impairment charges of \$241.8 million in 2009. Continued deterioration in macroeconomic conditions and the overall decline in our net sales during the first half of 2009 indicated that it was more likely than not that the fair value of certain of our reporting units was reduced to below the respective carrying amount. We considered this a triggering event under GAAP and performed an interim evaluation of goodwill as of June 1, 2009. As a result of that goodwill impairment evaluation, we recorded a goodwill impairment charge of \$235.0 million in the second quarter of 2009. This charge was comprised of \$207.0 million for our Corporate segment, or 14% of the total goodwill for that segment, and \$28.0 million for the CDW Advanced Services business, or 38% of the total goodwill for that operating segment. In addition to the goodwill evaluation noted above, we recorded \$6.8 million of goodwill in the fourth quarter of 2009 for certain trade credits for periods prior to the Acquisition which was immediately impaired upon recognition.

*Income (loss) from operations*

The following table presents income (loss) from operations by segment, in dollars and as a percentage of net sales, and the year-over-year percentage change in income (loss) from operations for the years ended December 31, 2010 and 2009:

	Year Ended December 31, 2010		Year Ended December 31, 2009		Percent Change in Income (Loss) from Operations
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	
Segments: (1)					
Corporate	\$ 256.2	5.3%	\$ (56.7)	(1.5)%	551.8%
Public	193.0	5.4	150.7	5.0	28.0
Other	14.3	3.5	(23.2)	(7.5)	161.6
Headquarters (2)	(110.8)	N/A	(102.7)	N/A	(7.8)
Total income (loss) from operations	\$ 352.7	4.0%	\$ (31.9)	(0.4)%	1,205.3%
Goodwill impairment included in loss from operations:					
Corporate	\$	%	\$ (212.4)	(5.6)%	N/A
Public			(1.1)		N/A
Other			(28.3)	(9.2)	N/A
Total goodwill impairment	\$	%	\$ (241.8)	(3.4)%	N/A

- (1) Segment income (loss) from operations includes the segment's direct operating income (loss) and allocations for Headquarters costs, allocations for logistics services, certain inventory adjustments and volume rebates and cooperative advertising from vendors.
- (2) Includes Headquarters function costs that are not allocated to the segments.

**Table of Contents**

Income from operations was \$352.7 million in 2010, an increase of \$384.6 million compared to a loss from operations of \$31.9 million in 2009. This increase was primarily due to the prior period containing the previously discussed goodwill impairment charge of \$241.8 million. Excluding the goodwill impairment charge, operating income increased \$142.9 million, or 68.1% in 2010, compared to 2009. This increase was driven by higher net sales and gross profit dollars, partially offset by higher selling and administrative expenses, although we continued to contain our selling and administrative expenses through tight cost control.

Corporate segment income from operations was \$256.2 million in 2010, an increase of \$313.0 million compared to a loss from operations of \$56.7 million in 2009. The operating loss in 2009 was due to the goodwill impairment charge of \$212.4 million. Excluding the goodwill impairment charge, Corporate segment income from operations increased \$100.6 million, or 64.6%, between years. The most significant driver of our Corporate segment's increase in operating income between years was the rebound in net sales, which increased 26.6% in 2010 compared to 2009 following the economic downturn. The combination of the increased net sales and the associated gross profit dollars along with continued control of selling and administrative costs increased operating income by \$60.8 million. Selling and administrative expenses were lower as a percentage of net sales in 2010 compared to 2009 despite the increased investment in coworkers discussed above. In addition, our Corporate segment income from operations benefited in 2010 from an increase of \$46.0 million in income allocations from our logistics operations compared to 2009. The improved profitability of our logistics operations was driven by increased operating leverage given higher purchase volumes in 2010 while support structure costs decreased between years. Partially offsetting the above items was an increase in Headquarters' allocations of \$6.2 million.

Public segment income from operations was \$193.0 million in 2010, an increase of \$42.3 million, or 28.0%, compared to \$150.7 million in 2009. This increase reflected higher operating income of \$20.4 million as a result of higher net sales and gross profit dollars, while continuing to control selling and administrative costs. Selling and administrative expenses were lower as a percentage of net sales in 2010 compared to 2009 despite the increased investment in coworkers discussed above. In addition, our Public segment income from operations benefited in 2010 from an increase of \$28.9 million in income allocations from our logistics operations compared to 2009. Partially offsetting the above items was an increase in Headquarters' allocations of \$7.0 million.

The income from operations within our Other segment was \$14.3 million in 2010, compared to a loss from operations of \$23.2 million in 2009. The operating loss for 2009 was a result of the goodwill impairment charge of \$28.3 million for the CDW Advanced Services business.

The loss from operations for our Headquarters' function of \$110.8 million was \$8.1 million higher than the loss of \$102.7 million in 2009. The incremental loss of \$8.1 million in 2010 reflected an increase in costs of \$23.0 million, partially offset by higher intercompany allocations to the operating segments of \$14.9 million. The \$23.0 million cost increase in 2010 was driven by additional investments in coworkers primarily related to incentive compensation and profit sharing/401(k).

*Interest expense, net*

At December 31, 2010, our outstanding long-term debt, excluding capital leases, totaled \$4,289.1 million. Net interest expense was \$391.9 million in 2010, compared to \$431.7 million in 2009. The decrease in interest expense was primarily due to the year-over-year change in the net non-cash impact of hedge ineffectiveness recorded in interest expense on the interest rate swap agreements, as described in Note 8 to the Audited Financial Statements, which resulted in a gain of \$25.8 million in 2010, compared to a loss of \$28.7 million in 2009. Also contributing to the decrease were lower average outstanding debt balances during 2010 compared to 2009. Partially offsetting these items was a higher interest rate on the Term Loan Facility as a result of the November 2009 amendment to this facility and increased expense due to changes in the fair value of the interest rate cap agreements, as described in Note 8 to the Audited Financial Statements.

*Net gain on extinguishments of long-term debt*

We recorded a net gain of \$2.0 million on the extinguishment of long-term debt resulting from two transactions during 2010.

---

**Table of Contents**

In March 2010, we repurchased \$28.5 million of principal amount of Senior Subordinated Bridge Loans for a purchase price of \$18.6 million. We recorded a gain of \$9.2 million on the extinguishment of this debt in our consolidated statement of operations during the first quarter of 2010. The gain represents the difference between the purchase price, including expenses paid to the debt holders and agent, and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs. The \$28.5 million in principal amount of loans was exchanged for increasing rate notes and subsequently surrendered to the indenture trustee for cancellation.

In December 2010, we extinguished \$500.0 million of the outstanding principal balance of our Term Loan Facility as described in Note 7 to the Audited Financial Statements. We recorded a loss of \$7.2 million on the extinguishment of this debt in our consolidated statement of operations during the fourth quarter of 2010. This loss represents a write-off of a portion of the unamortized deferred financing costs on the Term Loan Facility. There was no additional gain or loss resulting from the paydown of the debt balance, as the cash paid equaled the par value of the debt principal extinguished.

*Income tax benefit*

The income tax benefit was \$7.8 million in 2010, compared to \$87.8 million in 2009. The effective income tax rate, expressed by calculating the income tax benefit as a percentage of loss before income taxes, was 21.1% in 2010, compared to 19.0% in 2009. The change in the effective rate from 2009 to 2010 was due to the nondeductible goodwill charge in 2009 and a relatively higher impact on the effective tax rate of permanent items in 2010 due to the relatively small pre-tax loss. In addition, state taxes in 2010 were higher due to changes in state rates and apportionment.

*Net loss*

The net loss was \$29.2 million in 2010, compared to a net loss of \$373.4 million in 2009. The year-over-year change was primarily due to the impairment charges discussed above.

*Adjusted EBITDA*

Adjusted EBITDA was \$601.8 million in 2010, an increase of \$136.5 million, or 29.3%, compared to \$465.4 million in 2009. As a percentage of net sales, Adjusted EBITDA was 6.8% in 2010, compared to 6.5% in 2009.

We have included a reconciliation of EBITDA and Adjusted EBITDA for 2010 and 2009 in the table below. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA, which is a measure defined in our Senior Credit Facilities, means EBITDA adjusted for certain items which are described in the table below. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance and cash flows including our ability to meet our future debt service, capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our Senior Credit Facilities. See Selected Historical Consolidated Financial and Operating Data for a reconciliation of EBITDA to cash flows from operating activities.

**Table of Contents**

	(in millions)	Year Ended December 31,	
		2010	2009
Net loss		\$ (29.2)	\$ (373.4)
Depreciation and amortization		209.4	218.2
Income tax benefit		(7.8)	(87.8)
Interest expense, net		391.9	431.7
<b>EBITDA</b>		<b>564.3</b>	<b>188.7</b>
Adjustments:			
Goodwill impairment			241.8
Non-cash equity-based compensation		11.5	15.9
Sponsor fee		5.0	5.0
Consulting and debt-related professional fees		15.1	14.1
Net gain on extinguishments of long-term debt		(2.0)	
Other adjustments (1)		7.9	(0.1)
<b>Total adjustments</b>		<b>37.5</b>	<b>276.7</b>
Adjusted EBITDA		\$ 601.8	\$ 465.4

(1) Other adjustments include certain severance and retention costs, equity investment gains and losses and the gain related to the sale of Informacast software and equipment in 2009.

**Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

The following table presents our results of operations, in dollars and as a percentage of net sales, for the years ended December 31, 2009 and 2008:

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales
Net sales	\$ 7,162.6	100.0%	\$ 8,071.2	100.0%
Cost of sales	6,029.7	84.2	6,710.2	83.1
Gross profit	1,132.9	15.8	1,361.0	16.9
Selling and administrative expenses	821.1	11.4	894.8	11.1
Advertising expense	101.9	1.4	141.3	1.8
Goodwill impairment	241.8	3.4	1,712.0	21.2
Loss from operations	(31.9)	(0.4)	(1,387.1)	(17.2)
Interest expense, net	(431.7)	(6.0)	(390.3)	(4.8)
Other income, net	2.4		0.2	
Loss before income taxes	(461.2)	(6.4)	(1,777.2)	(22.0)
Income tax benefit	87.8	1.2	12.1	0.1
Net loss	\$ (373.4)	(5.2)%	\$ (1,765.1)	(21.9)%

**Table of Contents***Net sales*

The following table presents our net sales by segment, in dollars and as a percentage of total net sales, and the year-over-year dollar and percentage change in net sales for the years ended December 31, 2009 and 2008:

	Year Ended December 31, 2009		Year Ended December 31, 2008		Dollar Change	Percent Change (1)
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales		
Corporate	\$ 3,818.2	53.3%	\$ 4,852.2	60.1%	\$ (1,034.0)	(21.3)%
Public	3,035.5	42.4	2,894.7	35.9	140.8	4.9
Other	308.9	4.3	324.3	4.0	(15.4)	(4.7)
Total net sales	\$ 7,162.6	100.0%	\$ 8,071.2	100.0%	\$ (908.6)	(11.3)%

(1) There were 254 selling days in 2009, compared to 255 selling days in 2008. On an average daily basis, total net sales decreased 10.9%. The following table presents our net sales by customer channel for our Corporate and Public segments and the year-over-year dollar and percentage change in net sales for the years ended December 31, 2009 and 2008:

(in millions)	Years Ended December 31,		Dollar Change	Percent Change
	2009	2008		
Corporate:				
Medium / Large	\$ 3,014.8	\$ 3,898.6	\$ (883.8)	(22.7)%
Small Business	803.4	953.6	(150.2)	(15.7)
Total Corporate	\$ 3,818.2	\$ 4,852.2	\$ (1,034.0)	(21.3)%
Public:				
Government	\$ 1,270.7	\$ 1,114.7	\$ 156.0	14.0%
Education	1,040.5	1,034.7	5.8	0.6
Healthcare	724.3	745.3	(21.0)	(2.8)
Total Public	\$ 3,035.5	\$ 2,894.7	\$ 140.8	4.9%

Total net sales in 2009 decreased \$908.6 million, or 11.3%, to \$7,162.6 million, compared to \$8,071.2 million in 2008. There were 254 selling days in 2009, compared to 255 selling days in 2008. On an average daily basis, total net sales decreased 10.9%. The decline in total net sales between years was primarily the result of overall lower demand from our Corporate segment customers, who generally reduced spending on information technology products and services during the economic downturn in the U.S. that began in late 2008 and continued through 2009. On a sequential quarterly basis, the year-over-year percentage decline in total net sales lessened each quarter as we progressed through the first three quarters of 2009, and we experienced modest net sales growth of 1.7% for the fourth quarter of 2009.

Corporate segment net sales in 2009 decreased \$1,034.0 million, or 21.3%, compared to 2008. Within our Corporate segment, net sales to our medium / large customers decreased 22.7% between years, while net sales to our small business customers decreased at a lesser rate of 15.7%. Sales of hardware products to our Corporate segment customers were negatively impacted by the widespread recession beginning in late 2008 and continuing through 2009, which resulted in overall weak customer demand. Despite the recession, Public segment net sales in 2009 increased \$140.8 million between years, or 4.9%, almost entirely due to sales growth within our government channel. The growth in government net sales was driven by an increase in large orders (defined to be in excess of \$100,000) of 33.0% between years to our Federal customers, primarily within civilian. While state and local government sales declined 10.4% between years, Federal sales increased 28.2%, which primarily reflected an increase in large customer orders related primarily to hardware data storage/drives.

*Gross profit*

Gross profit decreased \$228.1 million, or 16.8%, to \$1,132.9 million in 2009, compared to \$1,361.0 million in 2008. This decrease was driven by a decline in hardware sales which reflected both lower volumes and unfavorable changes in price/mix. As a percentage of net sales, gross profit was 15.8% in 2009, compared to 16.9% in 2008. The 110 basis point decrease in gross profit margin between years was primarily due to lower product margin as the mix of other factors largely offset each other. The reduction in product margin between years was driven by competitive pressures in the marketplace that led to lower average selling prices. The increase in the proportion of Public segment net sales to total net sales in 2009 also contributed to the overall decline in product margin. Other items affecting gross margin included an increase in net service contract revenue and commission revenue of 40 basis points, offset by a reduction in cooperative advertising income of 40 basis points driven by lower marketing spend. Commission revenue, including agency fees earned on sales of software licenses and software assurance under enterprise agreements, has a positive impact on our gross profit margin as we record the fee or commission as a component of net sales when earned and there is no corresponding cost of sales amount. Net service contract revenue, including items such as third-party services and extended warranties, also has a positive impact on gross profit margin as our cost paid to the vendor or third-party service provider is recorded as a reduction to sales, resulting in net sales being equal to the gross profit on the transaction. On a sequential quarterly basis, gross profit margin declined each quarter as we progressed through the first three quarters of 2009, and moderated at 15.4% in the fourth quarter of 2009.

---

**Table of Contents**

The gross profit margin may fluctuate based on various factors, including vendor incentive and inventory price protection programs, cooperative advertising funds classified as a reduction of cost of sales, product mix, net service contract revenue, commission revenue, pricing strategies, market conditions and other factors, any of which could result in changes in gross profit margins.

*Selling and administrative expenses*

Selling and administrative expenses decreased \$73.7 million, or 8.2%, to \$821.1 million in 2009, compared to \$894.8 million in 2008. This was driven by a decrease of \$61.7 million in payroll costs that resulted primarily from lower sales commissions and lower other variable incentive compensation, as well as a decrease in the number of sales and non-sales coworkers. Our sales force decreased to 3,307 coworkers at December 31, 2009, compared to 3,593 coworkers at December 31, 2008. In addition to implementing cost saving actions such as cancelling certain merit compensation increases and suspending the 401(k) match for 2009, we eliminated approximately 200 coworkers in mostly non-sales force positions in January 2009. Selling and administrative expenses in 2009 also reflected reduced profit sharing/401(k) expense. For 2008, the amount charged to expense for the profit sharing/401(k) plan totaled \$11.9 million. Of this amount, we reversed \$8.0 million to income in the second quarter of 2009, as the payout of this amount was partially based upon certain financial objectives in 2009 that were not achieved. This reversal was partially offset by \$6.4 million of plan expense recorded in 2009, resulting in a net credit of \$1.6 million attributed to the profit sharing/401(k) plan for 2009. These decreases were partially offset by an increase of \$9.9 million in consulting and advisory fees and expenses in 2009 compared to 2008.

*Advertising expense*

Advertising expense decreased \$39.4 million, or 27.9%, to \$101.9 million in 2009, compared to \$141.3 million in 2008. As a percentage of net sales, advertising expense decreased to 1.4% in 2009, compared to 1.8% in 2008. The decrease in advertising expense was primarily the result of less national TV and magazine advertising.

*Goodwill impairment*

We recorded goodwill impairment charges of \$241.8 million in 2009 and \$1,712.0 million in 2008. Continued deterioration in macroeconomic conditions and the overall decline in our net sales during the first half of 2009 indicated that it was more likely than not that the fair value of certain of our reporting units was reduced to below the respective carrying amount. We considered this a triggering event under GAAP and performed an interim evaluation of goodwill as of June 1, 2009. As a result of that goodwill impairment evaluation, we recorded a goodwill impairment charge of \$235.0 million in the second quarter of 2009. This charge was comprised of \$207.0 million for our Corporate segment and \$28.0 million for the CDW Advanced Services business. For financial reporting purposes, the CDW Advanced Services business is combined with Canada and shown as Other. We performed our annual evaluation of goodwill for 2009 as of December 1. Our Public segment, Canada and the CDW Advanced Services reporting units passed the first step of the goodwill evaluation (with the fair value exceeding the carrying value by 9%, 30%, and 35%, respectively) while our Corporate segment reporting unit did not pass the first step. Accordingly, we performed the second step of the goodwill evaluation for our Corporate segment reporting unit, the results of which did not require us to record an impairment charge as the implied fair value of goodwill of this reporting unit exceeded the carrying value of goodwill by 10%.

In addition to the goodwill evaluations noted above, we recorded \$6.8 million of goodwill in the fourth quarter of 2009 for certain trade credits for periods prior to the Acquisition which was immediately impaired upon recognition. The goodwill balances at December 31, 2009 for our Corporate, Public and Other segments were \$1,223.0 million, \$907.3 million and \$77.1 million, respectively.

The total goodwill impairment charge of \$1,712.0 million in 2008 was comprised of \$1,359.0 million for our Corporate segment and \$353.0 million for our Public segment, and was primarily the result of deteriorating macroeconomic conditions during the fourth quarter of 2008. See Note 4 to the Audited Financial Statements for further information on goodwill and the related impairment charges. The goodwill balances at December 31, 2008 for our Corporate, Public and Other segments were \$1,430.0 million, \$907.3 million and \$104.7 million, respectively.

**Table of Contents***Loss from operations*

The following table presents loss from operations by segment, in dollars and as a percentage of net sales, and the year-over-year percentage change in loss from operations for the years ended December 31, 2009 and 2008:

	Year Ended December 31, 2009		Year Ended December 31, 2008		Percent Change in Loss from Operations
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	
Segments: (1)					
Corporate	\$ (56.7)	(1.5)%	\$ (1,104.2)	(22.8)%	94.9%
Public	150.7	5.0	(216.4)	(7.5)	169.6
Other	(23.2)	(7.5)	10.2	3.1	(328.2)
Headquarters (2)	(102.7)	N/A	(76.7)	N/A	(34.0)
Total loss from operations	\$ (31.9)	(0.4)%	\$ (1,387.1)	(17.2)%	97.7%
Goodwill impairment included in loss from operations:					
Corporate	\$ (212.4)	(5.6)%	\$ (1,359.0)	(28.0)%	84.4%
Public	(1.1)		(353.0)	(12.2)	99.7
Other	(28.3)	(9.2)			N/A
Total goodwill impairment	\$ (241.8)	(3.4)%	\$ (1,712.0)	(21.2)%	85.9%

(1) Segment loss from operations includes the segment's direct operating income (loss) and allocations for Headquarters' costs and expenses, allocations for logistics services, certain inventory adjustments and volume rebates and cooperative advertising from vendors.

(2) Includes Headquarters' function costs that are not allocated to the segments.

The loss from operations was \$31.9 million in 2009, compared to a loss of \$1,387.1 million in 2008. The operating losses were due to the previously discussed goodwill impairment charges of \$241.8 million in 2009 and \$1,712.0 million in 2008. Excluding goodwill impairment charges, operating income decreased \$115.0 million, or 35.4%, in 2009 compared to 2008. This decrease was driven by lower gross profit from lower margins on the 11.3% net sales decline for 2009 due to the economic slowdown, partially offset by reduced advertising costs and lower selling and administrative expenses as a result of our overall cost savings strategy.

Corporate segment loss from operations was \$56.7 million in 2009, compared to \$1,104.2 million in 2008. The operating losses were due to the goodwill impairment charges of \$212.4 million in 2009 and \$1,359.0 million in 2008. Excluding goodwill impairment charges, operating income decreased \$99.1 million, or 38.9%, in 2009 compared to 2008. Our Corporate segment was most significantly impacted by the economic slowdown as ensuing competitive pricing pressures resulted in lower margins on the 21.3% net sales decline for 2009. This was partially offset by lower selling and administrative expenses, mainly payroll costs for our sales force that resulted from reduced commissions and lower other variable incentive compensation and a lower number of sales coworkers.

Public segment income from operations was \$150.7 million in 2009, compared to a loss from operations of \$216.4 million in 2008. Public segment goodwill impairment charges were \$1.1 million in 2009 and \$353.0 million in 2008. Excluding goodwill impairment charges, income from operations increased \$15.2 million, or 11.2%, in 2009 compared to 2008. While pricing pressures and an increase in low margin large orders for our Public segment resulted in lower gross profit between years, this impact was largely offset by reduced selling and administrative expenses. Our Public segment income from operations benefited in 2009 from an increase of \$15.3 million in income allocations from our logistics operations compared to 2008. This allocation was primarily based on our Public segment's proportionate share of total net sales, which increased between years.





**Table of Contents**

The loss from operations within our Other segment was \$23.2 million in 2009, compared to income from operations of \$10.2 million in 2008. The operating loss for 2009 was a result of the goodwill impairment charge of \$28.3 million for the CDW Advanced Services business.

The loss from operations for our Headquarters function of \$102.7 million in 2009 was \$26.0 million higher than the loss of \$76.7 million in 2008. The incremental loss of \$26.0 million in 2009 reflected an increase in costs of \$5.0 million and lower intercompany allocations to the segments of \$21.0 million compared to 2008. The \$5.0 million cost increase in 2009 was primarily due to an increase of \$9.9 million in consulting and advisory fees and expenses previously discussed and \$5.3 million of higher occupancy expenses related to sales office expansion, partially offset by reductions in other areas as a result of cost savings actions.

*Interest expense, net*

At December 31, 2009, our outstanding long-term debt, excluding capital leases, totaled \$4,620.4 million. Net interest expense in 2009 was \$431.7 million, compared to \$390.3 million in 2008. The increase in interest expense was primarily due to increasing interest rates under the Bridge Loans. This increase was partially offset by lower interest rates under the ABL Facility, which is based on LIBOR. For interest periods beginning prior to October 15, 2009, we had made all interest payments in cash. For the interest period from October 15, 2009 through April 14, 2010, we elected to defer interest payments on the \$300.0 million principal amount of Senior PIK Election Loans, and to add the deferred interest to the principal balance so that the deferred interest, together with the principal, would be due at maturity of such loans. The principal amount on the loans, all of which have subsequently been exchanged for Existing Senior PIK Election Notes, increased by approximately \$17.0 million on April 15, 2010, and we will incur incremental interest expense of approximately \$10.7 million over the remaining term as a result.

*Income tax benefit*

The income tax benefit was \$87.8 million in 2009 compared to \$12.1 million in 2008. The effective income tax rate, expressed by calculating the income tax benefit as a percentage of loss before income taxes, was 19.0% in 2009. This rate differs from the rate of 0.7% in 2008 primarily due to the nondeductible nature of the goodwill impairment charges of \$241.8 million and \$1,712.0 million in 2009 and 2008, respectively. The effective income tax rate was also lower in 2008 due to adjustments to deferred state income taxes primarily to reflect a change in tax filing status of one of our subsidiaries and tax expense in certain jurisdictions where various subsidiaries were taxable.

*Net loss*

Net loss was \$373.4 million in 2009, compared to \$1,765.1 million in 2008. The year-over-year change was primarily due to the impairment charges discussed above.

*Adjusted EBITDA*

Adjusted EBITDA was \$465.4 million in 2009, a decrease of \$105.2 million, or 18.4%, from \$570.6 million in 2008. As a percentage of net sales, Adjusted EBITDA was 6.5% in 2009, compared to 7.1% in 2008.

We have included a reconciliation of EBITDA and Adjusted EBITDA for 2009 and 2008 in the table below. EBITDA is defined as earnings before interest, taxes, depreciation, and amortization. Adjusted EBITDA, which is a measure defined in our Senior Credit Facilities, means EBITDA adjusted for certain items which are described in the table below. Both EBITDA and Adjusted EBITDA are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. We believe that EBITDA and Adjusted EBITDA provide helpful information with respect to our operating performance and cash flows, including our ability to meet our future debt service, capital expenditures and working capital requirements. Adjusted EBITDA also provides helpful information as it is the primary measure used in certain financial covenants contained in our Senior Credit Facilities. See Selected Historical Consolidated Financial and Operating Data for a reconciliation of EBITDA to cash flows from operating activities.

**Table of Contents**

	(in millions)	Year Ended December 31,	
		2009	2008
Net loss		\$ (373.4)	\$ (1,765.1)
Depreciation and amortization		218.2	218.4
Income tax benefit		(87.8)	(12.1)
Interest expense, net		431.7	390.3
<b>EBITDA</b>		<b>188.7</b>	<b>(1,168.5)</b>
Adjustments:			
Goodwill impairment		241.8	1,712.0
Non-cash equity-based compensation		15.9	17.8
Sponsor fee		5.0	5.0
Consulting and debt-related professional fees		14.1	4.3
Other adjustments (1)		(0.1)	
Total adjustments		276.7	1,739.1
<b>Adjusted EBITDA</b>		<b>\$ 465.4</b>	<b>\$ 570.6</b>

(1) Other adjustments include certain severance costs, and the gain related to the sale of the Informacast software and equipment in 2009.

**Seasonality**

While we have not historically experienced significant seasonality throughout the year, sales in our Corporate segment, which primarily serves business customers, are typically higher in the fourth quarter than in other quarters due to customers spending their remaining technology budget dollars at the end of the year. Additionally, sales in our Public segment have historically been higher in the third quarter than in other quarters primarily due to the buying patterns of the federal government.

**Liquidity and Capital Resources****Overview**

We finance our operations and capital expenditures through a combination of internally generated cash from operations and from borrowings under our ABL Facility. We believe that our current sources of funds will be sufficient to fund our cash operating requirements for the next year. In addition, we believe that, in spite of the uncertainty of future macroeconomic conditions, we have adequate sources of liquidity and funding available to meet our longer-term needs. However, there are a number of factors that may negatively impact our available sources of funds. The amount of cash generated from operations will be dependent upon factors such as the successful execution of our business plan and general economic conditions.

**Table of Contents****Cash Flows**

We have revised our consolidated statements of cash flows for all periods presented. See Notes 1 and 20 to the Audited Financial Statements and Note 1 to the Unaudited Interim Financial Statements included in this prospectus for further information.

Cash flows from operating, investing and financing activities were as follows:

(in millions)	Six Months Ended June 30,		Years Ended December 31,		
	2011	2010	2010	2009	2008
Net cash provided by (used in):					
Operating activities	\$ 129.8	\$ 161.8	\$ 423.7	\$ 107.6	\$ 215.4
Investing activities	(26.5)	(55.8)	(125.4)	(82.6)	(60.3)
Financing activities	(95.7)	(167.7)	(350.1)	(31.9)	(75.8)
Effect of exchange rate changes on cash and cash equivalents	0.4	(0.2)	0.4	0.5	(0.5)
Net increase (decrease) in cash and cash equivalents	\$ 8.0	\$ (61.9)	\$ (51.4)	\$ (6.4)	\$ 78.8

**Operating Activities**

Net cash provided by operating activities for the six months ended June 30, 2011 decreased \$32.0 million compared to the same period for the prior year. For the first six months of 2011, changes in assets and liabilities, excluding cash and cash equivalents, decreased net cash provided by operating activities by \$55.9 million compared to an increase of \$67.6 million for the first six months of 2010, driven by accounts payable and other current liabilities. The increase in accounts payable from December 31, 2010 to June 30, 2011 was \$117.0 million compared to an increase of \$200.4 million for the same period of the prior year. At the end of 2009, we accelerated a substantial amount of payments to take advantage of early pay discounts, resulting in a significant cash inflow during the first six months of 2010. We accelerated a considerably lower amount of payments at the end of 2010 compared to 2009, which resulted in a lower cash inflow during the first six months of 2011. The impact of changes in other current liabilities reduced net cash provided by operating activities by \$4.3 million in the first six months of 2011, compared to an increase of \$61.6 million in the same period of the prior year. This was driven by higher cash payments for compensation accrued as of the prior year-end and lower accrued interest as a result of our recent debt refinancing transactions. Net income as adjusted for non-cash items increased \$91.5 million between periods reflecting our improved operating results.

Net cash provided by operating activities for 2010 increased \$316.1 million compared to 2009. This increase was driven primarily by changes in our investment in working capital between periods. For 2010, the change in net working capital, excluding cash and cash equivalents, contributed \$165.3 million to cash compared to a change in net working capital for 2009 that decreased cash by \$18.0 million. Our investment in working capital, excluding cash and cash equivalents, was lower at December 31, 2010 compared to the prior year primarily due to an increase in accounts payable as we reduced the amount of accelerated payments we made in exchange for early pay discounts at December 31, 2010 compared to the prior year end. Accounts payable also increased more significantly in 2010 compared to the prior year to support the growth of the business and increased inventory levels. Net income as adjusted for non-cash items also increased \$132.8 million between years given the improved operating performance in 2010.

Net cash provided by operating activities for 2009 decreased \$107.8 million compared to 2008. This decrease was primarily the result of a \$75.7 million decrease between years in net income as adjusted for non-cash items, as the 11.3% decline in net sales for 2009 led to lower earnings in 2009 compared to 2008. Our investment in working capital, excluding cash and cash equivalents, decreased cash by \$18.0 million in 2009 compared to an increase to cash of \$14.1 million in 2008, driven by significant changes in the relative levels of certain components. Accounts receivable increased \$131.3 million during 2009 which reflected the fourth quarter 2009 increase in net sales of 1.7% between periods and an increase in days sales outstanding primarily for our Public segment. Accounts receivable decreased \$116.7 million during 2008 primarily due to a fourth quarter 2008 decline in net sales of 9.4% between periods, reflecting the slowdown in the economy. Inventory levels similarly increased slightly during 2009 to support year-end sales growth and decreased \$78.6 million during 2008 in response to the economic slowdown. Partially offsetting these factors were changes in accounts payable. Accounts payable increased \$76.5 million during 2009 primarily as a result of lower early pay discounts taken than as of the previous year end. Accounts payable decreased \$157.9 million during 2008 as a result of lower inventory levels as sales declined and increased payments to take advantage of incremental early pay discounts.

## Edgar Filing: CDW Corp - Form S-4/A

In order to manage our working capital and operating cash needs, we monitor our cash conversion cycle, defined as days of sales outstanding in accounts receivable plus days of supply in inventory, less days of purchases outstanding in accounts payable. The following table presents the components of our cash conversion cycle:

**Table of Contents**

	June 30,		December 31,		
	2011	2010	2010	2009	2008
Days of sales outstanding (DSO) (1)	40	43	43	46	44
Days of supply in inventory (DIO) (2)	16	14	15	15	15
Days of purchases outstanding (DPO) (3)	(28)	(25)	(26)	(20)	(20)
Cash conversion cycle	28	32	32	41	39

- (1) Represents the rolling three month average of the balance of trade accounts receivable, net at the end of the period divided by average daily net sales. Also incorporates components of other miscellaneous receivables.
- (2) Represents the rolling three month average of the balance of inventory at the end of the period divided by average daily cost of goods sold.
- (3) Represents the rolling three month average of the balance of accounts payable, excluding cash overdrafts, at the end of the period divided by average daily cost of goods sold.

The cash conversion cycle decreased to 28 days at June 30, 2011 compared to 32 days at June 30, 2010. This decrease reflects a three-day decline in DSO, driven by lower mix of federal government sales within the Public segment as a proportion of overall net sales, as this customer channel typically has a higher average DSO than our other customer channels, as well as improved collections performance. Also, a higher accounts payable balance at June 30, 2011 compared to June 30, 2010 contributed to a three-day increase in DPO as purchase volumes increased to support higher inventory levels. The two-day increase in DIO was driven by a higher inventory balance primarily to support the growth of the business. The higher inventory balance at June 30, 2011 also resulted from increased purchases of certain products from vendor partners whose operations may have been impacted by the earthquake and tsunami in Japan, in anticipation of possible future supply shortages.

The cash conversion cycle decreased to 32 days at December 31, 2010 compared to 41 days at December 31, 2009. This decrease was primarily due to a six-day increase in DPO reflecting a higher accounts payable balance as we reduced the amount of accelerated payments we made in exchange for early pay discounts at December 31, 2010 compared to the prior year end. A three-day decrease in DSO, due primarily to lower federal government sales within the Public segment, also contributed to the decrease in the cash conversion cycle.

The cash conversion cycle increased from 39 days at December 31, 2008 to 41 days at December 31, 2009. The two-day increase was a result of an increase in DSO from 44 days to 46 days at December 31, 2008 and 2009, respectively. This increase in DSO was primarily driven by higher federal government sales within the Public segment.

For tax purposes, we were deemed to have paid a redemption premium in connection with the amendment to the Term Loan Facility in December 2010 that, in addition to certain expenses, is deductible in determining taxable income. As a result, we incurred a net operating loss for tax purposes that is expected to result in \$53.2 million of refunds in 2011 of previously paid income taxes. As of June 30, 2011, we had received refunds totaling \$37.5 million of this amount.

*Investing Activities*

Net cash used in investing activities for the six months ended June 30, 2011 decreased \$29.3 million compared to the same period of the prior year. This was primarily due to a decrease of \$32.8 million in cash payments under our interest rate swap agreements, as the \$6.6 million paid in the first six months of 2011 reflected the final payment upon termination of the swap agreements on January 14, 2011. Capital expenditures were \$16.7 million for the six months ended June 30, 2011 and \$10.5 million for the six months ended June 30, 2010, primarily for improvements to our information technology systems during both periods. During the first six months of 2011 and 2010, we paid \$3.2 million and \$5.9 million, respectively, for new interest rate cap agreements.

Net cash used in investing activities in 2010 increased \$42.8 million compared to 2009. This was primarily due to an increase of \$25.9 million in capital expenditures in 2010 compared to 2009. Capital expenditures in 2010 consisted mainly of improvements to our information technology systems. In addition, cash payments under our interest rate swap agreements in 2010 increased \$6.0 million, as a result of increases in the spread between the variable

**Table of Contents**

rate of the underlying debt and the fixed rate of the swap agreements. We made premium payments totaling \$5.9 million during 2010 for four forward-starting interest rate cap agreements. During 2009, we received cash proceeds of \$5.2 million from the sale of the Informacast assets.

Net cash used in investing activities for 2009 increased \$22.3 million compared to 2008. An increase of \$53.0 million in cash payments under our interest rate swap agreements in 2009 was partially offset by lower capital expenditures of \$25.5 million in 2009 compared to 2008. The increase in cash payments under the swap agreements was primarily due to increases in the spread between the variable rate of the underlying debt and the fixed rate of the swap agreements. Capital expenditures were lower in 2009 as part of the overall focus on cost containment during 2009.

*Financing Activities*

Net cash used in financing activities decreased \$72.0 million for the six months ended June 30, 2011 compared to the same period of 2010. This change was primarily driven by lower net repayments of \$208.2 million under our ABL Facility during the first six months of 2011 compared to 2010. The impact of this decrease was partially offset by an increase of \$121.0 million in repayments under our Term Loan Facility. Payments totaling \$1,175.0 million to extinguish long-term debt during the first six months of 2011 were funded by proceeds of \$1,175.0 million from new debt issuances. In connection with our debt transactions during the first half of 2011, we paid \$26.3 million in debt financing costs. Net advances under our inventory financing agreements decreased \$8.6 million between periods reflecting a lower amount of purchases through these arrangements in the first six months of 2011 compared to the same period of the prior year. In March 2010, we paid \$18.6 million to extinguish a portion of our Senior Subordinated Bridge Loans.

Net cash used in financing activities increased \$318.2 million for 2010 compared to 2009. This change was primarily due to net repayments of \$303.3 million that reduced our outstanding balance under our ABL Facility. We did not make any repayments under that facility in 2009.

Net cash used in financing activities decreased \$43.9 million in 2009 compared to 2008. This decrease was driven by lower payments of debt financing costs of \$34.2 million and a decrease of \$32.1 million in net payments under our inventory financing agreements between years. Partially offsetting these changes were repayments of \$11.0 million under our Term Loan Facility in 2009, compared to net debt proceeds of \$13.9 million from additional borrowings in 2008.

*Long-Term Debt and Financing Arrangements*

Long-term debt, excluding capital leases, was as follows:

(in millions)	June 30, 2011	December 31, 2010	December 31, 2009
ABL Facility	\$ 160.0	\$ 188.1	\$ 491.4
Term Loan Facility	1,540.5	1,672.5	2,189.0
Senior Secured Notes	500.0	500.0	
Senior Notes	1,175.0		
Senior Bridge Loans and Existing Senior Notes	129.0	1,207.0	1,190.0
Senior Subordinated Bridge Loans and Existing Senior Subordinated Notes	721.5	721.5	750.0
<b>Total long-term debt</b>	<b>4,226.0</b>	<b>4,289.1</b>	<b>4,620.4</b>
Less current maturities of long-term debt		(132.0)	(22.0)
<b>Long-term debt, excluding current maturities</b>	<b>\$ 4,226.0</b>	<b>\$ 4,157.1</b>	<b>\$ 4,598.4</b>

As of June 30, 2011, we were in compliance with the covenants under our various credit facilities, which are described below.

---

**Table of Contents**
*ABL Facility*

At June 30, 2011, we had outstanding borrowings of \$160.0 million under the ABL Facility (at an effective weighted-average interest rate of approximately 2.47% per annum), \$21.8 million of undrawn letters of credit and \$12.3 million reserved related to the floorplan sub-facility (discussed below).

On June 24, 2011, we entered into the ABL Facility, a new five-year \$900.0 million senior secured asset-based revolving credit facility, with the facility being available to us for borrowings, issuance of letters of credit and floorplan financing for certain vendor products. The ABL Facility matures on June 24, 2016, subject to an acceleration provision discussed below. The ABL Facility replaces our previous revolving loan credit facility that was to mature on October 12, 2012. The ABL Facility (i) increases the overall revolving credit facility capacity available to us from \$800.0 million to \$900.0 million, (ii) increases the maximum aggregate amount of increases that may be made to the revolving credit facility from \$100.0 million to \$200.0 million, (iii) adds a maturity acceleration provision based upon excess cash availability whereby the ABL Facility may mature 45 days prior to both the maturity of the non-extended portion of our senior secured term loan facility and the maturity of our senior exchange notes due 2015, if excess cash availability does not exceed the outstanding borrowings of the subject maturing debt at the time of the test plus \$150 million, (iv) increases the fee on the unused portion of the revolving credit facility from 25 basis points to either 37.5 or 50 basis points, depending on the amount of utilization, (v) increases the applicable interest rate margin, and (vi) incorporates a \$300.0 million floorplan sub-facility. In connection with the termination of the previous facility, we recorded a loss on extinguishment of long-term debt of \$1.6 million in the consolidated statement of operations for the three and six months ended June 30, 2011, representing a write-off of a portion of unamortized deferred financing costs. Fees of \$7.2 million related to the ABL Facility were capitalized as deferred financing costs and are being amortized over the term of the facility on a straight-line basis.

The ABL Facility includes a \$300.0 million floorplan sub-facility which was increased to the maximum of \$400.0 million on August 2, 2011. As described in Note 3 to the Unaudited Interim Financial Statements, in connection with the floorplan sub-facility, we entered into the Revolving Loan financing agreement. Amounts outstanding under the Revolving Loan financing agreement are unsecured and non-interest bearing. We will either pay the outstanding Revolving Loan financing agreement amounts when they become due, or the ABL Facility's administrative agent will automatically initiate an advance on the ABL Facility and use the proceeds to pay the balance on the due date. As of June 30, 2011, we owed \$12.3 million under the Revolving Loan financing agreement, which is included in accounts payable – inventory financing on our balance sheet. Changes in cash flows from the Revolving Loan financing agreement are reported in financing activities on our statement of cash flows.

Borrowings under the ABL Facility bear interest at a variable interest rate plus an applicable margin. The variable interest rate is based on one of two indices, either (i) LIBOR, or (ii) the Alternate Base Rate ( ABR ) with the ABR being the greatest of (a) the prime rate, (b) the federal funds effective rate plus 50 basis points and (c) one-month LIBOR plus 1.00%. The applicable margin varies (2.00% to 2.50% for LIBOR borrowings and 1.00% to 1.50% for ABR borrowings) depending upon our average daily excess cash availability under the agreement and is subject to a reduction of 25 basis points if certain conditions are met related to our outstanding secured debt. The margins on the previous revolving loan credit facility varied from 1.00% to 1.75% for LIBOR borrowings and 0.00% to 0.75% for ABR borrowings.

Availability under the ABL Facility is limited to (a) the lesser of the revolving commitment of \$900.0 million and the amount of the borrowing base less (b) outstanding borrowings, letters of credit, and amounts outstanding under the Revolving Loan financing agreement plus a reserve of 15% of open orders. The borrowing base is (a) the sum of the products of the applicable advance rates on eligible accounts receivable and on eligible inventory as defined in the agreement less (b) any reserves. At June 30, 2011, the borrowing base was \$970.2 million as supported by eligible inventory and accounts receivable balances as of May 31, 2011. We could have borrowed up to an additional \$705.9 million under the ABL Facility at June 30, 2011.

CDW LLC is the borrower under the ABL Facility. All obligations under the ABL Facility are guaranteed by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. Borrowings under the ABL Facility are collateralized by a first priority interest in inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 3 to the Unaudited Interim Financial Statements), deposits, and accounts receivable, and a second priority interest in substantially all other assets. The ABL Facility contains negative covenants that, among other things, place restrictions and limitations on the ability of Parent and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make distributions or other restricted payments, create liens, make equity or debt investments, make acquisitions, engage in mergers or consolidations, or engage in certain transactions with affiliates. The ABL Facility also includes maintenance of a minimum average daily excess cash availability requirement. Should we fall below the minimum average daily excess cash availability requirement for five consecutive business days, we become subject to a fixed charge coverage ratio until such time as the daily excess cash availability requirement is met for 30 consecutive business days.



**Table of Contents**

*Term Loan Facility*

At June 30, 2011, the outstanding principal balance of our Term Loan Facility was \$1,540.5 million, with \$484.5 million of non-extended loans and \$1,056.0 million of Extended Loans. The effective weighted-average interest rate on Term Loan Facility principal amounts outstanding at June 30, 2011 was 4.38% per annum. For the six months ended June 30, 2011, the effective weighted-average interest rate without giving effect to the interest rate swap agreements (see Note 5 to the Unaudited Interim Financial Statements) was 4.58% per annum. For the six months ended June 30, 2011, the effective weighted-average interest rate including the effect of the interest rate swap agreements was 4.92% per annum. The interest rate swap agreements terminated on January 14, 2011.

Borrowings under the Term Loan Facility bear interest at either (a) the ABR plus a rate spread; or (b) LIBOR plus a rate spread. The rate spread is based on our senior secured leverage ratio, as defined in the amended agreement evidencing the Term Loan Facility. Effective with the March 2011 amendment discussed below, the rate spreads were reduced on Extended Loans. For ABR borrowings, the applicable rate spread varies within a range of 2.50% to 3.00% for non-extended loans and 1.75% to 2.25% for Extended Loans. For LIBOR borrowings, the applicable rate spread varies within a range of 3.50% to 4.00% for non-extended loans and 2.75% to 3.25% for Extended Loans. The non-extended loans under the Term Loan Facility mature on October 10, 2014. The maturity on the Extended Loans is July 15, 2017 subject to acceleration to July 15, 2015 if, as of July 14, 2015, (i) the senior secured leverage ratio is greater than or equal to 3.00 to 1.00 and (ii) the outstanding principal amount of Existing Senior Notes with a maturity date of October 12, 2015 is greater than or equal to \$500.0 million.

**Table of Contents**

On March 11, 2011, we entered into an amendment to the Term Loan Facility, which became effective on March 14, 2011. This amendment, among other things: (i) reduced the spreads with respect to the interest rates on the Extended Loans under the Term Loan Facility, (ii) established a LIBOR floor of 1.25% and a base rate floor of 2.25% with respect to the Extended Loans under the Term Loan Facility, (iii) reset the general restricted payments basket to its original amount of \$25.0 million and (iv) provided a 1% prepayment premium for certain repayments or repricings of any Extended Loans under the Term Loan Facility for the six month period following the effective date of the amendment. In connection with this amendment, we recorded a loss on extinguishment of long-term debt of \$3.2 million in our consolidated statement of operations for the six months ended June 30, 2011. This loss represents a write-off of a portion of the unamortized deferred financing costs related to the Term Loan Facility.

Beginning September 2009, the Term Loan Facility requires us to pay quarterly installments of principal equal to \$5.5 million, with the remaining unpaid principal amount due upon maturity, provided that such quarterly installments are reduced to the extent of any optional or mandatory repayments. The Term Loan Facility also requires us to make certain mandatory prepayments of principal amounts under certain circumstances, including (i) a prepayment in an amount equal to 50% of our excess cash flow (as defined in the governing agreement) for the year then ended; and (ii) the net cash proceeds from the incurrence of certain additional indebtedness by us or our subsidiaries, including the issuance of the Senior Secured Notes. Excess cash flow is defined as Adjusted EBITDA, plus items such as reductions in working capital, less items such as increases in working capital, certain taxes paid in cash, interest that will be paid in cash, capital expenditures and repayment of long-term indebtedness. We made required principal prepayments of \$516.5 million in 2010, including the payment in connection with the issuance of the Senior Secured Notes, and \$11.0 million in 2009. On March 16, 2011, we made a mandatory prepayment of \$132.0 million with respect to the year ended December 31, 2010 under the excess cash flow provision. Because of the prepayments we have made on the Term Loan Facility, we are no longer required to pay quarterly installments of principal of \$5.5 million.

CDW LLC is the borrower under the Term Loan Facility. All obligations under the Term Loan Facility are guaranteed by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. The Term Loan Facility is collateralized by a second priority interest in substantially all inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 3 to the Unaudited Interim Financial Statements), deposits, and accounts receivable, and by a first priority interest in substantially all other assets. The Term Loan Facility contains negative covenants that, among other things, place restrictions and limitations on the ability of Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make distributions or other restricted payments, create liens, make equity or debt investments, make acquisitions, engage in mergers or consolidations, or engage in certain transactions with affiliates.

The Term Loan Facility also includes a senior secured leverage ratio requirement. The senior secured leverage ratio is required to be maintained on a quarterly basis and is defined as the ratio of senior secured debt (including amounts owed under certain inventory floorplan arrangements and capital leases) less cash and cash equivalents, to Adjusted EBITDA, a non-GAAP financial measure, for the most recently ended four fiscal quarters. Compliance may be determined after giving effect to a designated equity contribution to the Company to be included in the calculation of Adjusted EBITDA. The senior secured leverage ratio for the four quarters ended June 30, 2011 was required to be at or below 7.5. For the four quarters ended June 30, 2011, the senior secured leverage ratio was 3.4. The senior secured leverage ratio is a material component of the Term Loan Facility. Non-compliance with the senior secured leverage ratio requirement would result in a default under the credit agreement governing the Term Loan Facility and could prevent us from borrowing under our ABL Facility. If there were an event of default under the credit agreement governing the Term Loan Facility that was not cured or waived, the lenders under the Term Loan Facility could cause all amounts outstanding under the Term Loan Facility to be due and payable immediately, which would have a material adverse effect on our financial position and cash flows. For a discussion of net cash provided by (used in) operating activities, investing activities and financing activities, see Cash Flows. For a reconciliation of Adjusted EBITDA to net cash provided by (used in) operating activities, see Selected Historical Consolidated Financial and Operating Data.

We are required to maintain an interest rate hedge to fix or cap the interest rate on at least 50% of the outstanding principal amount of the Term Loan Facility through maturity, subject to certain limitations currently in effect. With the interest rate cap agreements as described in Note 5 to the Unaudited Interim Financial Statements, we expect to be in compliance with this requirement through January 14, 2013.

*Senior Secured Notes*

The Senior Secured Notes were issued on December 17, 2010 and will mature on December 15, 2018. At June 30, 2011, the outstanding principal balance of the Senior Secured Notes was \$500.0 million.

CDW LLC and CDW Finance are the co-issuers of the Senior Secured Notes and the obligations under the notes are guaranteed by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. The Senior Secured Notes are secured on a pari passu basis with the Term Loan Facility by a second priority interest in substantially all inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 3 to the Unaudited Interim Financial Statements), deposits, and accounts receivable, and by a first

priority interest in substantially all other assets. The indenture governing our Senior Secured Notes contains negative

---

## **Table of Contents**

covenants that, among other things, place restrictions and limitations on the ability of Parent and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make distributions or other restricted payments, create liens, make equity or debt investments, make acquisitions, engage in mergers or consolidations, or engage in certain transactions with affiliates. The indenture governing our Senior Secured Notes does not contain any financial covenants.

### *Existing Senior Notes and Existing Senior Subordinated Notes*

At June 30, 2011, the outstanding principal amount of our Existing Senior Notes was \$129.0 million. The Existing Senior Notes have a maturity date of October 12, 2015. The Existing Senior Notes are comprised of \$49.3 million of Existing Senior Cash Pay Notes and \$79.7 million of Existing Senior PIK Election Notes. We are required to pay cash interest on the outstanding principal of the Existing Senior Cash Pay Notes. For Existing Senior PIK Election Notes, the periods for which we could elect to pay interest in cash or through an increase in the outstanding principal have expired. We are required to pay cash interest on the outstanding principal of the Existing Senior PIK Election Notes for the remaining interest periods through maturity.

On April 13, 2011, we completed a cash tender offer (the Senior Notes Tender Offer ) and purchased \$665.1 million aggregate principal amount of the Existing Senior Notes comprised of \$519.2 million of the Existing Senior Cash Pay Notes and \$145.9 million of the Existing Senior PIK Election Notes. We concurrently issued \$725.0 million in aggregate principal amount of Senior Notes. The proceeds from this offering, together with cash on hand and borrowings under the then-outstanding ABL Facility, were used to fund the purchase of the tendered Existing Senior Notes, including \$665.1 million aggregate principal amount of Existing Senior Notes, \$59.9 million in tender offer premium and \$36.5 million of accrued and unpaid interest, along with transaction fees and expenses.

On May 20, 2011, we completed a follow-on cash tender offer (the Follow-on Senior Notes Tender Offer, and together with the Senior Notes Tender Offer, the Senior Notes Tender Offers ) and purchased an additional \$412.8 million aggregate principal amount of Existing Senior Notes comprised of \$321.4 million of the Existing Senior Cash Pay Notes and \$91.4 million of the Existing Senior PIK Election Notes. We concurrently issued \$450.0 million in aggregate principal amount of additional Senior Notes. The proceeds from this offering, together with cash on hand and borrowings under the then-outstanding ABL Facility, were used to fund the purchase of the tendered Existing Senior Notes, including \$412.8 million aggregate principal amount of Existing Senior Notes, \$37.2 million in tender offer premium and \$4.5 million of accrued and unpaid interest, along with transaction fees and expenses. The aggregate principal amount of Existing Senior Notes outstanding following the Senior Notes Tender Offers is \$129.0 million. As a result, the maturity of extended loans under the Term Loan Facility will not be subject to acceleration on July 15, 2015 as described above.

In connection with Senior Notes Tender Offers, we recorded a loss on extinguishment of long-term debt of \$114.1 million in the consolidated statement of operations for the three and six months ended June 30, 2011. This loss represents \$97.0 million in tender offer premiums and \$17.1 million for the write-off of a portion of the unamortized deferred financing costs related to the Existing Senior Notes. In connection with the issuance of Senior Notes, fees of \$19.1 million were capitalized as deferred financing costs and are being amortized over the term of the notes using the interest method.

At June 30, 2011, the outstanding principal amount of our Existing Senior Subordinated Notes was \$721.5 million. The Existing Senior Subordinated Notes have a maturity date of October 12, 2017. On March 10, 2010, one of our wholly owned subsidiaries purchased \$28.5 million of principal amount of Senior Subordinated Bridge Loans for a purchase price of \$18.6 million. We recorded a gain on the extinguishment of long-term debt of \$9.2 million on the consolidated statement of operations for the six months ended June 30, 2010 related to this repurchase. In May 2010, the \$28.5 million in principal amount of loans that were repurchased were exchanged for increasing rate notes and subsequently surrendered to the indenture trustee for cancellation.

CDW LLC and CDW Finance Corporation are the co-issuers of the Existing Senior Notes and the Existing Senior Subordinated Notes. Obligations under the Existing Senior Notes and the Existing Senior Subordinated Notes are guaranteed on an unsecured senior basis by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries that is a Guarantor under the Senior Credit Facilities. The indentures governing the Existing Senior Notes and the Existing Senior Subordinated Notes contain negative covenants that, among other things, place restrictions and limitations on the ability of Parent and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make distributions or other restricted payments, create liens, make equity or debt investments, make acquisitions, engage in mergers or consolidations, or engage in certain transactions with affiliates. The indentures governing the Existing Senior Notes and the Existing Senior Subordinated Notes do not contain any financial covenants.

**Table of Contents***Senior Notes*

On April 13, 2011, we issued \$725.0 million principal amount of Senior Notes and on May 20, 2011, we issued an additional \$450.0 million principal amount of Senior Notes. The proceeds from these issuances together with cash on hand and borrowings under the then-outstanding ABL Facility were used to fund the Senior Notes Tender Offers described above. The Senior Notes will mature on April 1, 2019. At June 30, 2011, the outstanding principal amount of the Senior Notes was \$1,175.0 million.

CDW LLC and CDW Finance Corporation are the co-issuers of the Senior Notes. Obligations under the Senior Notes are guaranteed on an unsecured senior basis by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. The indenture governing our Senior Notes contain negative covenants that, among other things, place restrictions and limitations on the ability of Parent and its subsidiaries to dispose of assets, incur additional indebtedness, incur guarantee obligations, prepay other indebtedness, make distributions or other restricted payments, create liens, make equity or debt investments, make acquisitions, engage in mergers or consolidations, or engage in certain transactions with affiliates. The indenture governing our Senior Notes do not contain any financial covenants.

*Inventory Financing Agreements*

We have entered into agreements with certain financial intermediaries to facilitate the purchase of inventory from various suppliers under certain terms and conditions. At June 30, 2011, the agreements allowed for a maximum credit line of \$74.5 million collateralized by the inventory purchases under these floorplan arrangements financed by the financial intermediaries and a second lien on the related accounts receivable. We do not incur any interest expense associated with these agreements as balances are paid when they are due. At June 30, 2011 and December 31, 2010, we owed the financial intermediaries \$57.7 million and \$9.6 million, respectively, under these inventory floorplan arrangements. Amounts owed under these floorplan arrangements are due to financial intermediaries not considered to be trade creditors, and, accordingly, such amounts are classified separately as accounts payable - inventory financing in our consolidated balance sheets.

From time to time, we may enter into an agreement with a financial intermediary relating to the purchase of inventory from a supplier who has factored its receivables to the financial intermediary. Our obligations under these agreements are not collateralized. We do not incur any interest expense associated with these agreements as balances are paid when they are due. At June 30, 2011 and December 31, 2010, we owed a financial intermediary \$48.0 million and \$18.6 million, respectively, under such an agreement. As these obligations are due to a financial intermediary not considered to be a trade creditor, we have classified such amounts as accounts payable - inventory financing in our consolidated balance sheets.

Separately, in June 2011, we entered into a new senior secured asset-based revolving credit facility as described in Note 4 to the Unaudited Interim Financial Statements, which incorporates a \$300.0 million floorplan sub-facility (which was increased to a maximum of \$400.0 million on August 2, 2011) to facilitate the purchase of inventory from a certain vendor. In connection with the floorplan sub-facility, we entered into an inventory financing agreement on an unsecured basis with a financial intermediary to facilitate the purchase of inventory from this vendor (the Revolving Loan financing agreement). At June 30, 2011, we owed \$12.3 million under the Revolving Loan financing agreement, which is included in accounts payable - inventory financing in our consolidated balance sheet.

*Contractual Obligations*

We have future obligations under various contracts relating to debt and interest payments, capital and operating leases, and asset retirement obligations. The following table presents our estimated future payments under contractual obligations that existed as of December 31, 2010, based on undiscounted amounts.

(in millions)	Total	Payments Due by Period			
		< 1 year	1-3 years	4-5 years	> 5 years
ABL Facility (1)	\$ 188.1	\$	\$ 188.1	\$	\$
Term Loan Facility (2)	2,132.0	217.6	154.7	614.4	1,145.3
Senior Secured Notes (3)	819.9	39.9	80.0	80.0	620.0
Senior unsecured debt (3)	1,877.7	134.4	268.7	267.6	1,207.0
Senior subordinated debt (3)	1,353.8	90.4	180.9	180.9	901.6
Operating leases (4)	129.0	17.4	32.5	31.5	47.6
Capital leases (5)	1.0	0.7	0.3		
Asset retirement obligations (6)	0.6			0.1	0.5

## Edgar Filing: CDW Corp - Form S-4/A

Total	\$ 6,502.1	\$ 500.4	\$ 905.2	\$ 1,174.5	\$ 3,922.0
-------	------------	----------	----------	------------	------------

- (1) Includes only principal payments. Excludes interest payments and fees related to the ABL Facility because of variability with respect to the timing of advances and repayments.
- (2) Includes future cash interest payments on long-term borrowings through scheduled maturity dates. Also includes the effect of interest rate swaps that convert \$2,000.0 million of the variable rate debt to fixed rates. The swaps terminated on January 14, 2011. Interest payments for the variable rate debt and the associated interest rate swaps were calculated using interest rates as of December 31, 2010. Excluded from these amounts are the amortization of debt issuance and other costs related to indebtedness.

---

## **Table of Contents**

- (3) Includes future cash interest payments on long-term borrowings through scheduled maturity dates. Interest on our Senior Secured Notes, senior unsecured debt and senior subordinated debt is estimated using the stated interest rate. Excluded from these amounts are the amortization of debt issuance and other costs related to indebtedness.
- (4) Includes the minimum lease payments for non-cancelable leases for properties and equipment used in our operations.
- (5) Includes both principal and interest components of future minimum capital lease payments.
- (6) Represent commitments to return property subject to operating leases to original condition upon lease termination.

### ***Off-Balance Sheet Arrangements***

We have no off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### **Contingencies**

We are party to legal proceedings that arise from time to time in the ordinary course of our business, including various pending litigation matters. We are also subject to audit by federal, state and local authorities, by various customers, including government agencies, relating to sales under certain contracts and by vendors. In addition, from time to time, certain of our customers file voluntary petitions for reorganization or liquidation under the U.S. bankruptcy laws. In such cases, certain pre-petition payments received by us could be considered preference items and subject to return to the bankruptcy administrator.

We do not believe that any current audit or pending or threatened litigation will have a material adverse effect on our financial condition. Litigation and audits, however, involve uncertainties and it is possible that the eventual outcome of litigation or audits could adversely affect our consolidated results of operations for a particular period.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with GAAP requires management to make use of certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported periods. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

In Note 1 to the Audited Financial Statements and Note 1 to the Unaudited Interim Financial Statements, we include a discussion of the significant accounting policies used in the preparation of our consolidated financial statements. We believe the following are the most critical accounting policies and estimates that include significant judgments used in the preparation of our financial statements. We consider an accounting policy or estimate to be critical if it requires assumptions to be made that were uncertain at the time they were made, and if changes in these assumptions could have a material impact on our financial condition or results of operations.

### ***Revenue Recognition***

We are a primary distribution channel for a large group of vendors and suppliers, including OEMs, software publishers and wholesale distributors. We record revenue from sales transactions when title and risk of loss are passed to our customer, there is persuasive evidence of an arrangement for sale, delivery has occurred and/or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. Our shipping terms typically specify F.O.B. destination, at which time title and risk of loss have passed to the customer.

## **Table of Contents**

Revenues from the sales of hardware products or software products and licenses are generally recognized on a gross basis with the selling price to the customer recorded as sales and the acquisition cost of the product recorded as cost of sales. These items can be delivered to customers in a variety of ways, including (i) as physical product shipped from our warehouse, (ii) via drop-shipment by the vendor, or (iii) via electronic delivery for software licenses. At the time of sale, we record an estimate for sales returns and allowances based on historical experience. Our vendor OEMs warrant most of the products we sell.

We leverage drop-ship arrangements with many of our vendors and suppliers to deliver products to our customers without having to physically hold the inventory at our warehouses, thereby increasing efficiency and reducing costs. We recognize revenue for drop-ship arrangements on a gross basis upon delivery to the customer with contract terms that typically specify F.O.B. destination. These arrangements generally represent approximately 20% to 30% of total net sales.

Revenue from professional services is either recognized as incurred for services billed at an hourly rate or recognized using the percentage of completion method for services provided at a fixed fee. Revenue for data center services, including internet connectivity, web hosting, server co-location and managed services, is recognized over the period service is provided.

We also sell certain products for which we act as an agent. Products in this category include the sale of third-party services, extended warranties or software assurance ( SA ). SA is an insurance or maintenance product that allows customers to upgrade, at no additional cost, to the latest technology if new applications are introduced during the period that the SA is in effect. These sales do not meet the criteria for gross sales recognition, and thus are recognized on a net basis at the time of sale. Under net sales recognition, the cost paid to the vendor or third-party service provider is recorded as a reduction to sales, resulting in net sales being equal to the gross profit on the transaction.

Our larger customers are offered the opportunity by certain of our vendors to purchase software licenses and SA under enterprise agreements ( EAs ). Under EAs, customers are considered to be compliant with applicable license requirements for the ensuing year, regardless of changes to their employee base. Customers are charged an annual true-up fee for changes in the number of users over the year. With most EAs, our vendors will transfer the license and bill the customer directly, paying resellers such as us an agency fee or commission on these sales. We record these fees as a component of net sales as earned and there is no corresponding cost of sales amount. In certain instances, we bill the customer directly under an EA and account for the individual items sold based on the nature of the item. Our vendors typically dictate how the EA will be sold to the customer.

From time to time, we sell some of our products and services as part of bundled contract arrangements containing multiple deliverables, which may include a combination of the products and services. For each deliverable that represents a separate unit of accounting, revenue is allocated based upon the relative selling prices of each element as determined by our selling price for the deliverable when it is sold on a stand-alone basis.

We record freight billed to our customers as net sales and the related freight costs as a cost of sales. Vendor rebates are recorded over the period earned as a reduction of cost of sales. Price protection is recorded when earned as a reduction to cost of sales or merchandise inventory, as applicable.

Deferred revenue includes (1) payments received from customers in advance of providing the product or performing services, and (2) amounts deferred if other conditions of revenue recognition have not been met.

We perform an analysis of the estimated number of days of sales in-transit to customers at the end of each period based on a weighted-average analysis of commercial delivery terms that includes drop-ship arrangements. This analysis is the basis upon which we estimate the amount of sales in-transit at the end of the period and adjust revenue and the related costs to reflect only what has been received by the customer. Changes in delivery patterns may result in a different number of business days used in making this adjustment and could have a material impact on our revenue recognition for the period.

### ***Inventory Valuation***

Inventory is valued at the lower of cost or market value. Cost is determined using a weighted-average cost method. We decrease the value of inventory for estimated obsolescence equal to the difference between the cost of inventory and the estimated market value, based upon an aging analysis of the inventory on hand, specifically known inventory-related risks, and assumptions about future demand and market conditions. If future demand or actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

### ***Vendor Programs***



## Edgar Filing: CDW Corp - Form S-4/A

We receive incentives from certain of our vendors related to cooperative advertising allowances, volume rebates, bid programs, price protection and other programs. These incentives generally relate to written agreements with specified performance requirements with the vendors and are recorded as adjustments to cost of sales or advertising expense, as appropriate. Vendors may change the terms of some or all of these programs, which could have an impact on our results of operations.

---

**Table of Contents**

We record receivables from vendors related to these programs when the amounts are probable and reasonably estimable. Some programs are based on the achievement of specific targets, and we base our estimates on information provided by our vendors and internal information to assess our progress toward achieving those targets. If actual performance does not match our estimates, we may be required to adjust our receivables. We record reserves for vendor receivables for estimated losses due to vendors' inability to pay or rejections by vendors of claims; however, if actual collections differ from our estimates, we may incur additional losses that could have a material impact on gross margin and operating income.

***Goodwill and Other Intangible Assets***

Goodwill is not amortized but is subject to periodic testing for impairment at the reporting unit level. Our reporting units used to assess potential goodwill impairment are the same as our operating segments. We are required to perform an evaluation of goodwill on an annual basis or more frequently if circumstances indicate a potential impairment. The annual test for impairment is conducted as of December 1. We changed our annual goodwill evaluation date to December 1 from October 1, effective in the fourth quarter of 2009, to better align with the completion of our annual budgeting process. Testing for impairment of goodwill is a two-step process. The first step compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill to determine the amount of impairment loss. Fair value of a reporting unit is determined by using a weighted combination of an income approach and a market approach, as this combination is considered the most indicative of the reporting units' fair value in an orderly transaction between market participants. Under the income approach, we determine fair value based on estimated future cash flows of a reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. Under the market approach, we utilize valuation multiples derived from publicly available information for peer group companies to provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. We have weighted the income approach and the market approach at 75% and 25%, respectively.

Determining the fair value of a reporting unit (and the allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of goodwill in the event a step two analysis is required) is judgmental in nature and requires the use of significant estimates and assumptions. These estimates and assumptions include primarily, but are not limited to, discount rate, terminal growth rate, selection of appropriate peer group companies and control premium applied, and forecasts of revenue growth rates, gross margins, operating margins, and working capital requirements. The allocation requires analysis to determine the fair value of assets and liabilities including, among others, customer relationships, trade names, and property and equipment. Any changes in the judgments, estimates, or assumptions used could produce significantly different results. Although we believe our assumptions are reasonable, actual results may vary significantly and may expose us to material impairment charges in the future.

Intangible assets include customer relationships, trade names, internally developed software and other intangibles. Intangible assets with determinable lives are amortized on a straight-line basis over the estimated useful lives of the assets. The cost of software developed or obtained for internal use is capitalized and amortized on a straight-line basis over the estimated useful life of the software. These intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. If the carrying amount of an asset exceeds its estimated future undiscounted cash flows, an impairment loss is recorded for the excess of the asset's carrying amount over its fair value.

***Allowance for Doubtful Accounts***

We record an allowance for doubtful accounts related to trade accounts receivable for estimated losses resulting from the inability of our customers to make required payments. We take into consideration historical loss experience, the overall quality of the receivable portfolio and specifically identified customer risks. If actual collections of customer receivables differ from our estimates, additional allowances may be required which could have an impact on our results of operations.

---

**Table of Contents*****Income Taxes***

Deferred income taxes are provided to reflect the differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements using enacted tax rates in effect for the year in which the differences are expected to reverse. We perform an evaluation of the realizability of our deferred tax assets on a quarterly basis. This evaluation requires us to use estimates and make assumptions and considers all positive and negative evidence and factors, such as the scheduled reversal of temporary differences, the mix of earnings in the jurisdictions in which we operate, and prudent and feasible tax planning strategies.

We account for unrecognized tax benefits based upon our assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. We report a liability for unrecognized tax benefits resulting from unrecognized tax benefits taken or expected to be taken in a tax return and recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

**Recent Accounting Pronouncements*****Presentation of Comprehensive Income***

In June 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2011-05 which amends current guidance on the presentation of comprehensive income. The new guidance eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. It requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. This update is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As this guidance impacts presentation only, we do not expect the adoption of this guidance will have an impact on our consolidated financial position, results of operations or cash flows.

***Fair Value Measurements***

In May 2011, the FASB issued ASU 2011-04. The new guidance results in common principles and requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP and International Financial Reporting Standards ( IFRS ). The new guidance does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards within GAAP or IFRS. This update is effective for interim and annual periods beginning after December 15, 2011, with early adoption prohibited for public entities. We do not expect the adoption of this guidance will have a material impact on our consolidated financial position, results of operations, or cash flows.

In January 2010, the FASB issued ASU 2010-06 to amend and expand the disclosure requirements for fair value measurements. The guidance requires new disclosures about transfers in and transfers out of Levels 1 and 2 fair value measurements and presentation of the activities within Level 3 fair value measurements (presented gross in a roll forward of activity). The guidance also clarifies existing disclosures about the level of disaggregation of fair value for each class of assets and liabilities and about inputs and valuation techniques used to measure fair value. Except for the disclosures in the roll forward of activity in Level 3 fair value measurements, ASU 2010-06 was effective for us as of January 1, 2010. The disclosures in the roll forward of activity in Level 3 fair value measurements became effective for us as of January 1, 2011. As this guidance only required additional disclosure and we did not have any Level 3 fair value measurements, the adoption of ASU 2010-06 did not have an impact on our consolidated financial position, results of operations or cash flows.

***Revenue Arrangements***

In October 2009, the FASB issued two ASUs to authoritative guidance on revenue arrangements. ASU 2009-13 modifies the criteria for separating consideration in multiple-deliverable arrangements, establishes a selling price hierarchy for determining the relative selling price of a deliverable, eliminates the residual method of allocation and expands the disclosures related to multiple-deliverable revenue arrangements. From time to time, we sell some of our products and services as part of bundled contract arrangements containing multiple deliverables, which may include a combination of products and services. For each deliverable that represents a separate unit of accounting, revenue is allocated based upon the relative selling prices of each element as determined by our selling price for the deliverable when it is sold on a stand-alone basis. We adopted the amended guidance in ASU 2009-13 on a prospective basis as of January 1, 2011. This adoption did not significantly change our units of accounting or the method we use to allocate revenue to separate units of accounting and consequently, did not have a material impact on our consolidated financial position, results of operations or cash flows.

## Edgar Filing: CDW Corp - Form S-4/A

ASU 2009-14 modifies the scope of authoritative guidance for revenue arrangements that include both tangible products and software elements to exclude from its requirements (1) non-software components of tangible products, and (2) software components of tangible products that are sold, licensed or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product's essential functionality. We adopted the amended guidance in ASU 2009-14 on a prospective basis as of January 1, 2011. The adoption of ASU 2009-14 did not have a material impact on our consolidated financial position, results of operations or cash flows.

### **Quantitative and Qualitative Disclosures of Market Risks**

Our market risks relate primarily to changes in interest rates. The interest rates on borrowings under our ABL Facility and our Term Loan Facility are floating and, therefore, are subject to fluctuations. In order to manage the risk

**Table of Contents**

associated with changes in interest rates on borrowings under our Term Loan Facility, we have entered into interest rate derivative agreements to hedge a portion of the cash flows associated with the facility. Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate fluctuations.

As of December 31, 2010, we had two interest rate swap agreements with an aggregate notional amount of \$2,000.0 million that effectively converted the outstanding principal amount under the Term Loan Facility from a floating-rate debt to a fixed-rate debt. Under the first swap agreement, a monthly net settlement is made for the difference between the fixed rate of 4.155% per annum and the floating rate based on one-month LIBOR on the \$1,500.0 million notional amount of the swap. Under the second swap agreement, a monthly net settlement is made for the difference between the fixed rate of 3.9125% per annum and the floating rate based on one-month LIBOR on the \$500.0 million notional amount. Both swap agreements terminated on January 14, 2011. At December 31, 2010, we were in a liability position for both of the interest rate swaps noted above, the aggregate fair value of which was \$2.8 million.

We utilize interest rate caps for the purpose of limiting current and future exposure to interest rate risk on our floating-rate debt under the Term Loan Facility.

In April 2010, we entered into four interest rate cap agreements with a combined \$1,100.0 million notional amount. Under these agreements, we made premium payments totaling \$5.9 million to the counterparties in exchange for the right to receive payments from them of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period. These cap agreements are effective from January 14, 2011 through January 14, 2013.

During the first six months of 2011, we entered into three interest rate cap agreements with a combined \$375.0 million notional amount. Under the agreements, we made premium payments totaling \$3.2 million to the counterparties in exchange for the right to receive payments from them of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period. These cap agreements are effective from January 14, 2013 through January 14, 2015.

On July 27, 2011, we entered into an additional interest rate cap agreement with a notional amount of \$125.0 million, which is effective from January 14, 2013 through January 14, 2015. We made a premium payment of \$0.6 million to the counterparty in exchange for the right to receive payments of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period.

See Liquidity and Capital Resources Contractual Obligations for information on cash flows, interest rates and maturity dates of our debt obligations.

---

**Table of Contents****BUSINESS****Overview**

CDW is a leading multi-brand technology solutions provider to business, government, education and healthcare customers in the U.S. and Canada. We provide comprehensive and integrated solutions for our customers' technology needs through our extensive hardware, software and value-added service offerings. We serve over 250,000 customers through our experienced and dedicated sales force of more than 3,400 coworkers. We offer over 100,000 products from over 1,000 brands and a multitude of advanced technology solutions. Our broad range of technology products includes leading brands such as Hewlett-Packard, Microsoft, Cisco, Lenovo, EMC, IBM, Apple and VMware. Our offerings range from discrete hardware and software products to complex technology solutions such as virtualization, collaboration, security, mobility, data center optimization and cloud computing. Our sales and operating results have been driven by the combination of our large and knowledgeable selling organization, highly skilled technology specialists and engineers, extensive range of product offerings, strong vendor partner relationships, and fulfillment and logistics capabilities. For the year ended December 31, 2010, our net sales, net loss and Adjusted EBITDA were \$8,801.2 million, \$29.2 million and \$601.8 million, respectively. For the six months ended June 30, 2011, our net sales, net loss and Adjusted EBITDA were \$4,541.7 million, \$39.0 million and \$343.0 million, respectively. Adjusted EBITDA is a non-GAAP financial measure. See Summary Historical Financial Data for the definition of Adjusted EBITDA, the reasons for its inclusion and a reconciliation to net income.

We have two reportable segments:

**Corporate.** Our Corporate segment customers are primarily in the small and medium business category, which we define as customers with up to 1,000 employees at a single location. We also serve larger customers, including FORTUNE 1000 companies, that value our broad offerings, brand selection and flexible delivery model. We have over 200,000 active accounts, well diversified across numerous industries. Our Corporate segment is divided into a small business customer channel, primarily serving customers with up to 100 employees, and a medium-large business customer channel, primarily serving customers with more than 100 employees. Our Corporate segment sales team is primarily organized by geography and customer size. We believe this enables us to better understand and serve customer needs, optimize sales resource coverage, and strengthen relationships with vendor partners to create more sales opportunities. Our Corporate segment generated net sales of \$4,833.6 million and \$2,617.7 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

**Public.** Our Public segment is divided into government, education and healthcare customer channels. The government channel serves federal as well as state and local governments. Our education channel serves higher education and K-12 customers. The healthcare channel serves customers across the healthcare provider industry. We have built sizable businesses in each of our three Public customer channels as annual net sales are equal to or exceed \$1 billion for each customer channel. Our Public segment sales teams are organized by customer channel, and within each customer channel, they are generally organized by geography, except our federal government sales teams, which are organized by agency. We believe this enables our sales teams to address the specific needs of their customer channel while promoting strong customer relationships. Our Public segment generated net sales of \$3,560.6 million and \$1,675.1 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

**Other.** We also have two other operating segments, CDW Advanced Services and Canada, which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as Other. The CDW Advanced Services business is comprised of customized engineering services delivered by CDW professional engineers, as well as managed services, including hosting and data center services. The other services components of solutions sales, including custom configuration and other third party services, are recorded not in Other, but in our Corporate and Public segment net sales. Advanced services provided by CDW professional engineers are recorded in CDW Advanced Services. Our CDW Advanced Services and Canada business segments generated net sales of \$407.0 million and \$248.9 million for the year ended December 31, 2010 and for the six months ended June 30, 2011, respectively.

---

## **Table of Contents**

### **History**

CDW was founded in 1984. In 2003, we purchased selected U.S. assets and the Canadian operations of Micro Warehouse, which extended our growth platform into Canada. In 2006, we acquired Berbee Information Networks Corporation, a provider of technology products, solutions and customized engineering services in advanced technologies primarily across Cisco, IBM and Microsoft portfolios. This acquisition increased our capabilities in customized engineering services and managed services. In 2007, we were acquired by Parent. For a description of the acquisition, see Summary The Acquisition Transactions and Related Financing Events.

### **Industry Overview**

According to IDC, the overall U.S. technology market generated approximately \$536 billion in sales in 2010, including \$176 billion in hardware sales, \$144 billion in software sales and \$216 billion in services sales. The channels through which these products and services are delivered are highly fragmented and served by a multitude of participants. These participants include OEMs, software publishers, wholesale distributors and resellers. Wholesale distributors, such as Ingram Micro Inc., Tech Data Corporation and SYNEX Corporation, act as intermediaries between OEMs and software publishers, on the one hand, and resellers, on the other hand, providing logistics management and supply-chain services. Resellers, which include direct marketers, value-added resellers, e-tailers and retailers, sell products and/or services directly to the end-user customer, sourcing products sold to their customers directly from OEMs and software publishers or from wholesale distributors. CDW is a technology solutions provider with both direct marketer and value-added reseller capabilities.

Two key customer groups within our addressable market are the small and medium business market and the public sector market. The small and medium business market is highly fragmented and is generally characterized by companies that employ fewer than 1,000 employees. The public sector market is also fragmented and is generally divided into market verticals, each with specialized needs that require an adaptive and flexible sales, services and logistics model to meet customer needs. We believe that many vendors rely heavily on channel partners like CDW to efficiently serve small and medium business and public sector customers.

### **Our Competitive Strengths**

We believe the following strengths have contributed to our success and enabled us to become an important strategic partner for both our customers and our vendor partners:

#### ***Significant Scale and Scope***

We are a leading multi-brand technology solutions provider in the U.S. and Canada. Based upon publicly available information, we believe that our net sales are significantly larger than any other multi-brand direct marketer or value-added reseller in the U.S. Our significant scale and scope create competitive advantages through:

**Breadth of solutions for our customers.** The breadth and depth of knowledge that our direct selling organization, specialists and engineers have across multiple industries and technologies position us well to anticipate and meet our customers' needs. Our size allows us to provide our customers with a broad selection of over 100,000 technology products from over 1,000 brands and a multitude of advanced technology solutions at competitive prices. We have leveraged our scale to provide a high level of customer service and a breadth of technology options, making it easy for customers to do business with us.

**Broad market access for our vendor partners.** We believe we are an attractive route to market for our vendor partners in part because we provide them with access to a cost-effective and highly knowledgeable sales and marketing organization that reaches over 250,000 customers. Our vendor partners recognize that, in addition to providing broad customer reach, our scale and scope enables us to sell, deliver and implement their products and services to customers with a high level of knowledge and consistency.

---

## **Table of Contents**

**Operational cost efficiencies and productivity.** Our large scale provides us with operational cost efficiencies across our organization, including purchasing, operations, IT, sales, marketing and other support functions. We leverage these advantages through our two modern distribution centers, our efficient business processes and constant focus on productivity improvements, and our proprietary information systems, which has enabled us to provide cost-efficient service to our customers.

### ***Coworker Culture***

Our steadfast focus on serving customers and investing in coworkers has fostered a strong, get it done culture at CDW. Since our founding, we have adhered to a core philosophy known as the Circle of Service, which places the customer at the center of all of our actions. We have consistently and cost effectively invested in our coworkers by providing broad and deep coworker training, supplying resources that contribute to their success and offering them broad career development opportunities. This constant focus on customers and coworkers has created a customer-centric, highly engaged coworker base, which ultimately benefits our customers and fosters customer loyalty.

### ***Large and Knowledgeable Direct Selling Organization***

We have a large and experienced sales force, consisting of more than 3,400 coworkers, including more than 2,700 account managers and field account executives. We believe our success is due, in part, to the strength of our account managers' dedicated relationships with customers that are developed by calling on existing and new customers, providing advice on products, responding to customer inquiries and developing solutions to our customers' complex technology needs. The deep industry knowledge of our dedicated sales, marketing and support resources within each of our customer channels allows us to understand and solve the unique challenges and evolving technology needs of our customers. Multiple customer surveys administered by independent parties consistently show that customers view CDW as a leader in customer service compared to other multi-brand resellers and solution providers.

### ***Highly Skilled Technology Specialists and Engineers***

Our direct selling organization is supported by a team of more than 700 technology specialists and approximately 500 service delivery engineers with more than 3,000 industry-recognized certifications who bring deep product and solution knowledge and experience to the technology challenges of our customers. We believe our technology specialists, who work with customers and our direct selling organization to design solutions and provide recommendations in the selection and procurement process, are an important resource and differentiator for us as we seek to expand our offerings of value-added services and solutions.

### ***Large and Established Customer Channels***

We have grown our customer channels within the Corporate and Public segments to sizeable businesses. Our government, education, healthcare and small business channels each has net sales that equal or exceed \$1 billion. Our scale allows us to create specialized sales resources across multiple customer markets, which enables us to better understand and meet our customers' evolving IT requirements. Our scale also provides us diversification benefits. For instance, our Public segment, which is comprised of our government, education and healthcare channels, has historically been less correlated to economic cycles, as evidenced by its 5% net sales growth in 2009 while overall technology spending declined in the U.S. market, according to IDC.

### ***Strong, Established Vendor Partner Relationships***

We believe that our strong vendor partner relationships differentiate us from other multi-brand technology solutions providers. In addition to providing a cost-effective route to market for vendor partners, we believe that many of our competitive strengths enhance our value proposition to our vendor partners. We believe we are an important extension of our vendor partners' sales and marketing capabilities as we are the largest U.S. reseller for many of our vendor partners, including Hewlett-Packard. We have three vendor partners with whom we have annual \$1 billion-plus relationships, and we have 14 vendor partners with whom we have relationships exceeding \$100 million a year. As such, we are able to provide technology resources and insights to our customers that might otherwise be difficult for them to access independently or through other technology providers. Our direct selling



---

## **Table of Contents**

organization, technology specialists and large customer channels allow us to develop intimate knowledge of our customers' environments and their specific needs. Frequently, vendor partners will select CDW as a partner to develop and grow new customer solutions. We are regularly recognized with top awards from our vendor partners. We were recently named Microsoft's Volume Licensing Partner of the Year for the second straight year and received Cisco's Partner Summit global awards for U.S. and Canada Partner of the Year.

### **Our Business Strategies**

Our goal is to continue to strengthen our position as a leading multi-brand national provider of technology products and solutions by growing our revenues and driving profitability. We plan to achieve this objective by capitalizing on our competitive strengths and pursuing the following strategies:

#### ***Focus on Customer Requirements and Market Segmentation***

We have grown our revenues faster than the market, which we attribute in large part to our focus on customer requirements and market segmentation. We believe our customer intimacy enables us to better understand our customers' needs and to better identify profitable growth opportunities. We intend to maintain this focus with a goal of continuing to outpace our competitors in revenue growth in the markets we serve through increased share of wallet from existing customers, sales to new customers and expanded IT services offerings to both new and existing customers. We believe our efforts in these areas will be augmented as we improve our sales coverage and further segment our customer base, further leverage our knowledge of our customers' environments and continue to help our customers adopt proven technologies that meet their needs and make the most of their IT investments.

#### ***Leverage our Superior Sales and Marketing Model***

We intend to continue to leverage our large, highly productive sales and marketing organization to serve existing customer requirements, effectively target new customer prospects, improve our product and solutions offerings, maximize sales resource coverage, strategically deploy internal sales teams, technology specialists and field sales account executives, and strengthen vendor partner relationships, all with the end goal of creating profitable sales opportunities. Some of the initiatives we have implemented within the last few years, including our realignment of our medium and large corporate account managers into geographic regions, our addition of selling resources to our federal and healthcare customer channels and our addition of more technology specialists to facilitate sales of newer and more profitable technology solutions, have contributed to an increase in our annualized net sales per coworker from \$1.338 million for the quarter ended March 31, 2007 to \$1.507 million for the quarter ended June 30, 2011. We plan to continue to identify and pursue opportunities that further enhance productivity. Recently, we have added sales operations supervisors to handle administrative tasks for our direct sales force coworkers, which we believe will further enhance their productivity, and we have continued to align our compensation programs to drive profitable revenue growth.

#### ***Meet our Customers' Changing Needs through Expanded Service Offerings and Solutions***

We intend to expand the range of technology solutions we offer to continue to keep pace with the technology marketplace. As customers increasingly demand more elaborate services and solutions in addition to traditional hardware and software products, we believe that expanding the range of technology solutions that we offer will enhance our value proposition to our customers and help us to maximize our revenue and profit growth potential. We have quadrupled our number of technology specialists since mid-2004 and added over 400 services delivery engineers since mid-2006. CDW currently has more than 700 technology specialists, organized around core solutions and aligned with our selling organization, and more than 1,000 coworkers in 19 geographic markets across the U.S. focused on delivering customized engineering solutions. We plan to continue to invest resources and training in our technology specialists and services delivery coworkers to provide our customers with the expert advice and experience they need to make the most of their technology expenditures.

#### ***Leverage Relationships with Leading Vendor Partners***

We intend to continue to leverage our long-standing relationships with major vendor partners to support the growth and profitability of our business. We plan to use our vendor partner relationships to ensure that our sales organization remains well-positioned and well-trained to market new and emerging technologies to end users. As one

**Table of Contents**

example, we are currently working with several large vendor partners to assist them in the development and sales of cloud solutions to the small and medium business marketplace. We believe our strong vendor partner relationships will also provide collaborative opportunities for our sales organization and vendor field sales representatives to identify and fulfill additional customer requirements, creating increased sales to both new and existing customers. In addition, we plan to leverage our significant scale to maximize the benefits from volume discounts, purchase or sales rebates, vendor incentive programs and marketing development funds.

**Risk Factors**

Our business is subject to a number of risks. These risks include, but are not limited to, the following:

General economic conditions could negatively affect technology spending by our customers and put downward pressure on prices, which may have an adverse impact on our business, results of operations or cash flows.

Our financial performance could be adversely affected by decreases in spending on technology products and services by our Public segment customers.

Our business depends on our vendor partner relationships and the availability of their products.

Our sales are dependent on continued innovations in hardware, software and services offerings by our vendor partners and the competitiveness of their offerings.

Substantial competition could reduce our market share and significantly harm our financial performance.

Our substantial indebtedness could limit our operating flexibility, place us at a competitive disadvantage compared to our less leveraged competitors and increase our vulnerability to both general and industry-specific adverse economic conditions.

If these or any of the other risks described in the section entitled "Risk Factors" were to occur, the trading price of the exchange notes would likely decline and we may become unable to make payments of interest and principal on the exchange notes, as a result of which you may lose all or part of your original investment.

**Hardware, Software and Value-Added Service Offerings**

Our broad offering of multi-brand products and services includes over 100,000 discrete hardware and software products as well as comprehensive solutions. Solutions generally have hardware, software and/or service components to them. For example, a virtualization solution could include assessment and design advice, sales of servers, storage, desktops and virtualization software, a services implementation and ongoing support. While we believe customers increasingly view certain technology purchases as solutions rather than product categories, the following table sets forth our net sales by major category, based upon our internal category definitions, as this presentation is more consistent with how industry sources and competitors generally categorize technology sales. Amounts for the year ended December 31, 2009 have been reclassified for certain changes in individual product classifications to conform to the presentation for the year ended December 31, 2010.

	Year ended December 31, 2010		Year ended December 31, 2009	
	Dollars in millions	Percentage of net sales	Dollars in millions	Percentage of net sales
Hardware:				
NetComm Products	\$ 1,240.0	14.1%	\$ 953.5	13.3%

Edgar Filing: CDW Corp - Form S-4/A

Notebook/Mobile Devices	1,142.7	13.0	831.7	11.6
Data Storage/Drives	836.2	9.5	787.8	11.0
Other Hardware	3,703.9	42.1	3,029.0	42.3
<b>Total Hardware</b>	<b>\$ 6,922.8</b>	<b>78.7%</b>	<b>\$ 5,602.0</b>	<b>78.2%</b>
Software	1,608.8	18.3	1,295.7	18.1
Services	206.0	2.3	184.6	2.6
Other (1)	63.6	0.7	80.3	1.1
<b>Total net sales</b>	<b>\$ 8,801.2</b>	<b>100.0%</b>	<b>\$ 7,162.6</b>	<b>100.0%</b>

(1) Includes items such as delivery charges to customers and certain commission revenue.

**Hardware**

Through our broad portfolio of hardware products and strong relationships with industry leading vendor partners, we are able to provide our customers with multi-brand solutions across multiple product categories. We currently offer our customers a comprehensive selection of hardware from leading brands such as Hewlett-Packard, Cisco, Lenovo, EMC, IBM and Apple. Our hardware offerings include products across multiple categories such as network communications, notebooks/mobile devices (including tablets), data storage, video monitors, printers, desktops and servers, among others. Our multi-brand approach enables our sales force to identify the right products or combination of products to best address each customer's specific organizational challenges, without being constrained by a particular brand. Key advantages of this strategy include the ability to satisfy customer-specific preferences and requirements, to meet compatibility needs of a customer's existing technology infrastructure, and to offer best pricing and product availability options. In addition, our scale, strong vendor partner relationships and highly efficient sales and delivery model enable us to consistently offer competitive prices. Our strategically located distribution facilities allow us to meet even the most challenging customer requests. We also leverage drop-ship arrangements with many of our OEMs and distributors that allow us to offer even greater selection to our customers without having to physically hold the inventory.

---

## **Table of Contents**

### ***Software***

CDW helps customers maximize their software investment by supporting them through the complexities of the entire software lifecycle. We offer software solutions from the largest and category-leading software publishers, including Microsoft, Adobe, Symantec, Oracle, VMware and IBM. Our software lifecycle services include assessment and validation, procurement, deployment and contract management. We work closely with our customers to evaluate their software needs, navigate them through various complex licensing options, and procure the best software arrangements for their business. We help customers optimize software license procurement by consolidating vendors and recommending the most appropriate licensing contracts. In addition to deployment and migration services, we assist our customers in realizing the value of their purchases through ongoing contract management to ensure they maximize their contract benefits and renew on a timely basis. For example, our customers may purchase maintenance contracts which allow them to receive new versions, upgrades or updates of software products released during the maintenance period.

### ***Value-Added Services and Solutions***

We believe customers are increasingly looking for solutions from their technology providers in order to optimize their technology investments and best achieve their business objectives. CDW offers a full suite of value-added services, which typically are delivered as part of a technology solution, to help our customers meet their specific needs. CDW solutions can range from the expert configuration and delivery of 100 laptops overnight; to the custom configuration and staggered deployment of 25,000 notebooks to over 12 locations nationally; to specialized technical advice and product procurement, including associated warranties, for an enterprise network; to very complex, fully integrated technology solutions such as virtualization, collaboration, security, mobility, data center optimization and cloud computing. We also offer a complementary set of services, including installations, sales of warranties and managed services, such as remote network and data center monitoring.

We offer our value-added services and solutions primarily through a team of technology specialists and engineers with more than 3,000 industry-recognized certifications, who bring deep product and solution knowledge and capabilities to the technology challenges of our customers. Our technology specialists work with customers and our direct selling organization to design solutions and provide recommendations in the selection and procurement process. We have more than 700 highly qualified and certified specialists, supporting numerous solutions and product categories, including unified communication, security, networking, wireless, server/storage, virtualization, mobility, power and cooling, desktop, notebook, point-of-sale, managed print services, digital signage and software. Our team of more than 1,000 engineers, project managers, consultants and technicians in 19 geographic markets across the U.S. support design, implementation and long-term solution management. These coworkers are continually developing and implementing customized solutions which are leveraged so that multiple customers can benefit from our implementation innovation and experience.

### ***Customers***

We serve over 250,000 customers in the U.S. and Canada. Excluding sales to the federal government, which are diversified across multiple agencies and departments and collectively accounted for 11.0% of 2010 net sales, we are not reliant on any one customer as our next five largest customers comprised less than 2.0% of net sales in 2010.

### ***Inventory Management/Distribution***

We utilize our information technology systems to manage our inventory in a cost-efficient manner, resulting in a rapid-turn inventory model. We generally only stock items that have attained a minimum sales volume.

Our distribution process is highly automated. Once a customer order is received and credit approved, orders are automatically routed to one of our distribution centers for picking and shipping as well as configuration and imaging services. We operate two distribution centers: an approximately 450,000 square foot facility in Vernon Hills, Illinois, and an approximately 513,000 square foot facility in North Las Vegas, Nevada. We ship over 30 million units annually on an aggregate basis from our two distribution centers. We believe that the location of our distribution centers allows us to efficiently ship products throughout the U.S. and provide timely access to our principal distributors. Our locations enable us to obtain and ship non-stocked items quickly and efficiently. We believe that competitive sources of supply are available in substantially all of the product categories we offer. We continue to improve the productivity of our distribution centers as measured by key performance indicators such as units shipped per hour worked and bin accuracy.

## **Table of Contents**

### **Information Technology Systems**

Our proprietary information technology systems are a key element in our ability to be a leading multi-brand technology solutions provider. Our customized information technology and unified communication systems enhance our ability to provide prompt, efficient and expert service to our customers. In addition, these systems enable centralized management of key functions, including purchasing, inventory management, and billing, collection of accounts receivable, sales and distribution. Our systems provide us with thorough, detailed and real-time information regarding key aspects of our business, enabling us to continuously enhance productivity, ship customer orders quickly and efficiently, respond appropriately to industry changes and provide high levels of customer service. Our websites, which provide electronic order processing and many advanced tools, such as order tracking, reporting and asset management, make it easy for customers to transact business with us and ultimately enhance our customer relationships.

### **Sales and Customer Service**

We have more than 2,700 coworkers in our direct selling organization, consisting of account managers and field account executives. Including over 700 additional customer-facing coworkers, such as our technology specialists, our total sales force exceeds 3,400. Account managers provide inside sales coverage to customers, including developing customer relationships by calling existing and potential customers, providing advice on products and services, and partnering with specialists to develop and sell more complex solutions. Field account executives work within an assigned territory and interact with customers in-person, usually focusing on solutions that require a face-to-face interaction to sell to customers. Together, account managers and field account executives help us combine the benefits of a national technology solutions provider with a local presence.

Our goals are to simplify the complexities of technology across design, selection, procurement, integration and ongoing management and to be viewed as an indispensable extension of our customers' IT staffs, regardless of their size. We achieve this objective by providing superior service, industry-specific knowledge and technical expertise with experienced sales people. The scale of our business allows us to segment our sales teams into customer channels so that we better understand the unique needs of customers and to provide extensive, targeted technical training to our direct selling organization.

### **Purchasing, Vendor Partner and Distributor Relationships**

We purchase products for resale from vendor partners, which include OEMs and software publishers, and wholesale distributors. For the year ended December 31, 2010, we purchased approximately 47% of the products we sold directly from vendor partners and the remaining amount from wholesale distributors. Purchases from wholesale distributors Ingram Micro, Tech Data and SYNEX represented approximately 13%, 12% and 11%, respectively, of our total purchases. Sales of products manufactured by Hewlett-Packard comprised approximately 24% of our 2010 net sales. We are authorized by OEMs to sell via direct marketing all or selected products offered by the manufacturer. Our authorization with each OEM provides for certain terms and conditions, which may include one or more of the following: product return privileges, price protection policies, purchase discounts and vendor incentive programs, such as purchase or sales rebates and cooperative advertising reimbursements. We also operate as a reseller for major software publishers that allows the end-user customer to acquire packaged software or licensed products and services. Vendor incentive programs are at the discretion of our vendor partners and usually require the achievement of a specified sales volume or growth rate within a specified period of time to qualify for all, or some, of the incentive programs.

### **Competition**

The market for technology products and services is highly competitive. Competition is based on the ability to tailor specific solutions to customer needs, quality and breadth of product and service offerings, knowledge and expertise of sales force, customer service, price, product availability, speed of delivery and credit availability. Our competition includes:

## **Table of Contents**

direct marketers such as Insight Enterprises, PC Connection, PC Mall, Softchoice and GTSI;

value-added resellers, including larger ones such as Logicalis, Agilysis, Sirius, and many regional and local value-added resellers;

manufacturers such as Dell, Hewlett-Packard, and Apple, who sell directly to customers;

e-tailers such as Tiger Direct, Buy.com, Amazon and Newegg;

large service providers and system integrators such as IBM, Accenture, HP/EDS and Dell/Perot;

retailers such as Best Buy, Office Depot, Office Max, Staples, Wal-Mart, Sam's Club and Costco.

We expect the competitive landscape in which we compete to continue to change as new technologies are developed. While innovation can help our business as it creates new offerings for us to sell, it can also disrupt our business model and create new and stronger competitors. For a discussion of the risks associated with competition, see Risk Factors Risks Relating to our Business Substantial competition could reduce our market share and significantly harm our financial performance.

### **Coworkers**

As of June 30, 2011, we employed more than 6,400 coworkers, none of whom is covered by collective bargaining agreements. We consider our coworker relations to be good.

### **Properties**

As of June 30, 2011, we owned or leased a total of approximately 2.1 million square feet of space throughout the U.S. and Canada. We own two properties: a combined office and an approximately 450,000 square foot distribution center in Vernon Hills, Illinois, and an approximately 513,000 square foot distribution center in North Las Vegas, Nevada. In addition, we conduct sales, services and administrative activities in various leased locations throughout North America, including data centers in Madison, Wisconsin and Minneapolis, Minnesota.

We believe that our facilities are well maintained, suitable for our business and occupy sufficient space to meet our operating needs. As part of our normal business, we regularly evaluate sales center performance and site suitability.

### **Intellectual Property**

The CDW trademark and certain variations thereon are registered, or subject to pending trademark applications. We believe our trademarks have significant value and are important factors in our marketing programs. In addition, we own domain names, including cdw.com and cdwg.com, for our primary trademarks. Finally, we have unregistered copyrights in our website content.

### **Legal Proceedings**

We are party to legal proceedings that arise from time to time in the ordinary course of our business, including various pending litigation matters. We are also subject to audit by federal, state and local authorities, by various customers, including government agencies, relating to sales under certain contracts and by vendors. In addition, from time to time, certain of our customers file voluntary petitions for reorganization or liquidation under the U.S. bankruptcy laws. In such cases, certain pre-petition payments received by us could be considered preference items and subject to return to the bankruptcy administrator.

We do not believe that any current audit or pending or threatened litigation will have a material adverse effect on our financial condition. Litigation and audits, however, involve uncertainties and it is possible that the eventual outcome of litigation or audits could adversely affect our consolidated results of operations for a particular period.



**Table of Contents****MANAGEMENT****Directors, Managers and Executive Officers**

The directors of Parent, the managers of CDW Holdings and CDW LLC and our executive officers are set forth below:

<b>Name</b>	<b>Age</b>	<b>Position</b>
John A. Edwardson	62	Chairman of the Board and Chief Executive Officer of CDW Holdings, CDW LLC and Parent
Thomas E. Richards	56	President and Chief Operating Officer and Manager of CDW Holdings and CDW LLC
Dennis G. Berger	46	Senior Vice President and Chief Coworker Services Officer
Neal J. Campbell	49	Senior Vice President and Chief Marketing Officer
Douglas E. Eckrote	47	Senior Vice President Strategic Solutions and Services
Ann E. Ziegler	53	Senior Vice President and Chief Financial Officer
Christine A. Leahy	47	Senior Vice President, General Counsel and Corporate Secretary
Jonathan J. Stevens	41	Senior Vice President Operations and Chief Information Officer
Christina V. Rother	48	Senior Vice President Sales
Matthew A. Troka	41	Senior Vice President Product and Partner Management
Steven W. Alesio	57	Manager of CDW Holdings and CDW LLC
Barry K. Allen	62	Manager of CDW Holdings and CDW LLC
Benjamin D. Chereskin	52	Manager of CDW Holdings and CDW LLC
Glenn M. Creamer	49	Manager of CDW Holdings and CDW LLC
Michael J. Dominguez	42	Manager of CDW Holdings and CDW LLC and Director of Parent
Paul J. Finnegan	58	Manager of CDW Holdings and CDW LLC and Director of Parent
Robin P. Selati	45	Manager of CDW Holdings and CDW LLC
Donna F. Zarcone	54	Manager of CDW Holdings and CDW LLC

**John A. Edwardson** serves as our Chairman of the Board and Chief Executive Officer, and as a manager of CDW Holdings and CDW LLC and a director of Parent. Mr. Edwardson intends to retire as our Chief Executive Officer effective October 1, 2011, after which he will continue to serve as our Chairman. Mr. Edwardson has served as our Chairman and Chief Executive Officer since joining us in 2001. Prior to joining CDW in 2001, Mr. Edwardson served as Chairman and Chief Executive Officer of Burns International Services Corporation from 1999 until 2000. Mr. Edwardson previously served as a Director and President from 1994 to 1998 and Chief Operating Officer from 1995 to 1998 of UAL Corporation and United Airlines. He currently serves on the Board of Directors of FedEx Corporation. Mr. Edwardson is a graduate of Purdue University where he earned a bachelor's degree and a graduate of the University of Chicago where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Edwardson possesses particular knowledge and experience in strategic planning and leadership of complex organizations and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Thomas E. Richards** serves as our President and Chief Operating Officer, and as a manager of CDW Holdings and CDW LLC. Our Board has elected Mr. Richards to succeed Mr. Edwardson as our Chief Executive Officer effective October 1, 2011. Mr. Richards joined CDW in September 2009, and is responsible for sales, services, product and partner management, marketing and e-commerce. Prior to joining CDW, Mr. Richards held leadership positions with Qwest Communications, a telecommunications carrier. From 2008 to 2009, he served as Executive Vice President and Chief Operating Officer, where he was responsible for the day-to-day operation and performance of Qwest Communications, and before assuming that role, was the Executive Vice President of the Business Markets Group from 2005 to 2008. Mr. Richards has also served as Chairman and Chief Executive Officer of Clear Communications Corporation and as Executive Vice President of Ameritech Corporation. Mr. Richards is a graduate of the University of Pittsburgh where he earned a bachelor's degree and a graduate of Massachusetts Institute of Technology where he earned a Master of Science in Management as a Sloan Fellow. As a result of these and other professional experiences, Mr. Richards possesses particular knowledge and experience in technology industries, strategic planning and leadership of complex organizations that strengthen the Board's collective qualifications, skills and experience.

**Dennis G. Berger** serves as our Senior Vice President and Chief Coworker Services Officer. Mr. Berger joined CDW in September 2005 as Vice President Coworker Services. In January 2007, he was named Senior Vice President and Chief Coworker Services Officer. Mr. Berger is responsible for leading CDW's programs in coworker



**Table of Contents**

learning and development, benefits, compensation, performance management, coworker relations and talent acquisition. Prior to joining CDW, he served as Vice President of Human Resources at PepsiAmericas, a beverage company, from 2002 to 2005. Mr. Berger has also held human resources positions of increasing responsibility at Pepsi Bottling Group, Inc., Pepsico, Inc. and GTE Corporation. Mr. Berger serves on the Board of Directors for the Human Resources Management Association of Chicago, Glenwood School for Boys and Girls, Chicago SCORES and Anti-Defamation League of Chicago. Mr. Berger is a graduate of Northeastern University where he earned a bachelor's degree and a graduate of Washington University in St. Louis where he earned a Master of Business Administration.

**Neal J. Campbell** serves as our Senior Vice President and Chief Marketing Officer. Mr. Campbell joined CDW in January 2011, and is responsible for the strategy and development of CDW's advertising, public relations, channel marketing, marketing intelligence and research, merchandising, microsites, creative services and direct marketing content, along with relationship marketing, corporate communications and e-commerce initiatives including content development, online marketing and e-procurement. Prior to joining CDW, Mr. Campbell served as Chief Executive Officer of TrafficCast, a provider of real-time and predictive traffic information to Google, Yahoo and others from 2008 to 2011. From 2006 to 2008, he served as Executive Vice President and General Manager Strategic Marketing and Next Generation Products for ISCO International, a manufacturer of wireless telecommunications components. Mr. Campbell also spent 17 years with Motorola, most recently as Vice President and General Manager, GSM Portfolio Marketing and Planning for the company's mobile device business. Mr. Campbell is a graduate of Bradley University where he earned a bachelor's degree and a graduate of Northwestern University's Kellogg School of Management where he earned a Master of Business Administration.

**Douglas E. Eckrote** serves as our Senior Vice President of Strategic Solutions and Services and is responsible for our technology specialist teams focusing on servers and storage, unified communications, security, wireless, power and cooling, networking, software licensing and mobility solutions. He also holds responsibility for CDW Canada, Inc. Mr. Eckrote joined CDW in 1989 as an account manager. Mr. Eckrote was appointed Director of Operations in 1996, Vice President of Operations in 1999 and Senior Vice President of Purchasing in April 2001. In October 2001, he was named Senior Vice President of Purchasing and Operations. He was named Senior Vice President of Operations, Services and Canada in 2006 and assumed his current role in 2009. Prior to joining CDW, Eckrote worked in outside sales for Arrow Electronics and Cintas Uniform Company. From 2003 to 2009, Mr. Eckrote served on the Board of Directors for the Make-A-Wish Foundation of Illinois, completing the last two years as Board Chair and currently serves on the Make-A-Wish Foundation of America National Chapter Performance Committee. Mr. Eckrote also served on the Board of Directors for the Center for Enriched Living from 2002-2008, serving as Vice President from 2004-2005, President from 2006-2008 and currently serves as Board Emeritus. Mr. Eckrote is a graduate of Purdue University where he earned a bachelor's degree and a graduate of Northwestern University's Kellogg School of Management where he earned an Executive Master of Business Administration.

**Ann E. Ziegler** joined CDW in April 2008 as Senior Vice President and Chief Financial Officer. Prior to joining CDW, Ms. Ziegler spent 15 years at Sara Lee Corporation (Sara Lee), a global consumer goods company, in a number of executive roles including finance, mergers and acquisitions, strategy and general management positions in both U.S. and international businesses. Most recently, from 2005 until April 2008, Ms. Ziegler served as Chief Financial Officer and Senior Vice President of Administration for Sara Lee Food and Beverage. Prior to joining Sara Lee, Ms. Ziegler was a corporate attorney at Skadden, Arps, Slate, Meagher & Flom. Ms. Ziegler serves on the boards of directors of Hanesbrands, Inc. and The Chicago Shakespeare Theatre. During the previous five years, Ms. Ziegler also served on the board of directors of Unitrin, Inc. Ms. Ziegler is a graduate of The College of William and Mary where she earned a bachelor's degree and a graduate of the University of Chicago Law School where she earned her Juris Doctor.

**Christine A. Leahy** serves as our Senior Vice President, General Counsel and Corporate Secretary and is responsible for our legal, corporate governance, enterprise risk management and compliance functions. Ms. Leahy joined CDW in January 2002 as Vice President, General Counsel and Corporate Secretary. In January of 2007, she was named Senior Vice President. Before joining CDW, Ms. Leahy served as a corporate partner in the Chicago office of Sidley Austin LLP where she specialized in corporate governance, securities law, mergers and acquisitions and strategic counseling. Ms. Leahy serves on the Board of Trustees of Children's Home and Aid. Ms. Leahy is a graduate of Brown University where she earned a bachelor's degree and a graduate of Boston College Law School where she earned her Juris Doctor. She also completed the CEO Perspective and Women's Director Development Programs at Northwestern University's Kellogg School of Management.

**Table of Contents**

**Jonathan J. Stevens** serves as our Senior Vice President of Operations and Chief Information Officer. Mr. Stevens joined CDW in June 2001 as Vice President Information Technology, was named Chief Information Officer in January 2002 and Vice President International and Chief Information Officer from 2005 until December 2006. In January 2007, he was named Senior Vice President and Chief Information Officer and assumed his current role in November 2009. Mr. Stevens is responsible for the strategic direction of our information technology. Additionally, he holds responsibility for our distribution centers, transportation, facilities, customer relations, operational excellence and the business technology center. Prior to joining CDW, Mr. Stevens served as regional technology director for Avanade, an international technology integration company formed through a joint venture between Microsoft and Accenture from 2000 to 2001. Prior to that, Mr. Stevens was a principal with Microsoft Consulting Services and led an information technology group for a corporate division of AT&T/NCR. Mr. Stevens is a graduate of the University of Dayton where he earned a bachelor's degree.

**Christina V. Rother** serves as our Senior Vice President of Sales and is responsible for managing all aspects of our corporate and public sector sales forces, including sales force strategy, structure, goals, revenue generation and training and development. Ms. Rother joined CDW in 1991 as an account manager. In 2002, she was appointed Vice President for Education and State and Local Sales. In 2005, she was chosen to lead our newly formed healthcare sales team. She was promoted to Group Vice President in 2006 for CDW Government LLC until assuming her current roles as our Senior Vice President and President of CDW Government LLC in 2009. Prior to joining CDW, Ms. Rother held a number of sales positions with technology companies including Laser Computers and Price Electronics. Ms. Rother serves on the Board of Directors for the Associated Colleges of Illinois and the Make-A-Wish Foundation of Illinois. Ms. Rother is a graduate of the University of Illinois at Chicago where she earned a bachelor's degree.

**Matthew A. Troka** serves as our Senior Vice President of Product and Partner Management. Mr. Troka is responsible for managing our relationships with all of our vendor partners. In addition, he directs the day-to-day operations of our purchasing department. Mr. Troka joined CDW in 1992 as an account manager and became a sales manager in 1995. From 1998 to 2001, he served as Corporate Sales Director. From 2001 to 2004, Mr. Troka was Senior Director of Purchasing. From 2004 to 2006, Mr. Troka served as Vice President of Purchasing. From 2006 to 2011, Mr. Troka was Vice President of Product and Partner Management. On March 3, 2011, Mr. Troka was elected Senior Vice President of Product and Partner Management. He also is Chairman of the CDW Supplier Diversity Advisory Council. Mr. Troka serves as a member of the Board of Directors for Rainbows for All Children. Mr. Troka is a graduate of the University of Illinois where he earned a bachelor's degree.

**Steven W. Alesio** serves as a manager of CDW Holdings and CDW LLC. Mr. Alesio serves as a Senior Advisor at Providence Equity. Prior to joining Providence Equity in December 2010, Mr. Alesio was most recently Chairman of the Board and Chief Executive Officer of Dun & Bradstreet Corporation (D&B), a provider of credit information on businesses and corporations. After joining D&B in January 2001 as Senior Vice President, Mr. Alesio served in various senior leadership positions. In May 2002, Mr. Alesio was named President and Chief Operating Officer, and was elected to the Board of Directors. In January 2005, Mr. Alesio was chosen to be the Chief Executive Officer, and in May of 2005, he became Chairman of the Board, a position he held until his departure in June 2010. Prior to joining D&B, Mr. Alesio spent 19 years with the American Express Company, where he served in marketing and then general management roles. Mr. Alesio serves on the board of directors of Genworth Financial, Inc. Mr. Alesio is the founding sponsor and Senior Advisor for the non-profit, All Stars Project of New Jersey, which provides outside-of-school leadership development and performance-based education programming to thousands of inner-city young people in Newark and its surrounding communities. Mr. Alesio is a graduate of St. Francis College where he earned a bachelor's degree and a graduate of University of Pennsylvania's Wharton School where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Alesio possesses particular knowledge and experience in strategic planning and leadership of complex organizations and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Barry K. Allen** serves as a manager of CDW Holdings and CDW LLC. Mr. Allen serves as Senior Advisor at Providence Equity. Prior to joining Providence Equity in 2007, Mr. Allen was Executive Vice President of Operations at Qwest Communications International, a telecommunications carrier. Before his retirement from Qwest in June 2007, Mr. Allen was responsible for the company's network and information technology operations. Prior to being named Executive Vice President of Operations in March 2004, he served as Qwest's Executive Vice President of Operations and Chief Human Resources Officer. Before joining Qwest in August 2002, Mr. Allen was President of Allen Enterprises, a private equity investment and management company he founded in 2000. Previously, he served

**Table of Contents**

as President of Chicago-based Ameritech Corp., where he began his career in 1974 and held a variety of executive appointments including President and Chief Executive Officer of Wisconsin Bell and President and Chief Executive Officer of Illinois Bell. Before starting at Ameritech, Mr. Allen served in the U.S. Army where he reached the rank of Captain. Mr. Allen serves on the boards of directors of Harley Davidson (Chairman of the Board), Bell Canada Enterprises, the Fiduciary Management family of mutual funds, Telcordia Technologies, Inc. and World Triathlon Corporation. He has also served as a board member for many civic organizations, including the Greater Milwaukee Committee, currently the Boys and Girls Club of Milwaukee, Junior Achievement of Wisconsin, Children's Hospital of Wisconsin and United Way in Milwaukee. Mr. Allen is a graduate of the University of Kentucky where he earned a bachelor's degree and a graduate of Boston University where he earned a Master of Business Administration, with honors. As a result of these and other professional experiences, Mr. Allen possesses particular knowledge and experience in technology industries, strategic planning and leadership of complex organizations, and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Benjamin D. Chereskin** serves as a manager of CDW Holdings and CDW LLC. Mr. Chereskin is President of Profile Capital Management LLC (Profile Capital), an investment management firm. Prior to founding Profile Capital, Mr. Chereskin was a Managing Director of Madison Dearborn, having co-founded the firm in 1993. Prior to the founding of Madison Dearborn, Mr. Chereskin was with First Chicago Venture Capital for nine years. Mr. Chereskin currently serves on the Board of Directors of BF Bolthouse Holdco LLC, Cinemark, Inc., Tuesday Morning Corporation, University of Chicago Laboratory School and KIPP-Chicago and on the Board of Trustees of University of Chicago Medical School. During the previous five years, Mr. Chereskin also served as a director of Carrols Restaurant Group, Inc. Mr. Chereskin is a graduate of Harvard College where he earned a bachelor's degree and a graduate of the Harvard Graduate School of Business Administration where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Chereskin possesses particular knowledge and experience in accounting, finance and capital market transactions, strategic planning and leadership of complex organizations, and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Glenn M. Creamer** serves as a manager of CDW Holdings and CDW LLC. Mr. Creamer is a Senior Managing Director of Providence Equity. Prior to the founding of Providence Equity in 1989, Mr. Creamer was a Vice President of Narragansett Capital, which he joined in 1988. Mr. Creamer has also worked in investment banking at Merrill Lynch and JPMorgan. Mr. Creamer currently is a director of Telcordia Technologies. He also serves as a director of various non-profit boards, including Catholic Relief Services, Mustard Seed Communities USA and the Rhode Island School of Design Museum. During the previous five years, Mr. Creamer also served as a director of Medical Media Holdings. Mr. Creamer is a graduate of Brown University where he earned a bachelor's degree and a graduate of Harvard Business School where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Creamer possesses particular knowledge and experience in accounting, finance and capital market transactions, strategic planning and leadership of complex organizations, and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Michael J. Dominguez** serves as a manager of CDW Holdings and CDW LLC and a director of Parent. Mr. Dominguez is a Managing Director of Providence Equity. Prior to joining Providence Equity in 1998, Mr. Dominguez worked for Salomon Smith Barney in corporate finance. Previously, Mr. Dominguez held positions with Morgan Stanley and was a senior consultant at Andersen Consulting. Currently, Mr. Dominguez also serves on the Board of Directors of AutoTrader.com and ZeniMax Media Inc. During the past five years, Mr. Dominguez also served as a director for Bresnan Communications, Freedom Communications and Metro-Goldwyn-Mayer Inc. Mr. Dominguez is a graduate of Bucknell University where he earned a bachelor's degree and a graduate of Harvard Business School where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Dominguez possesses particular knowledge and experience in accounting, finance and capital market transactions, strategic planning and leadership of complex organizations, and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Paul J. Finnegan** serves as a manager of CDW Holdings and CDW LLC and a director of Parent. Mr. Finnegan is the Co-CEO of Madison Dearborn and co-founded the firm in 1992. Prior to co-founding Madison Dearborn, Mr. Finnegan was with First Chicago Venture Capital for ten years. Previously, he held a variety of marketing positions in the publishing industry, both in the United States and in Southeast Asia. Mr. Finnegan has more than 27 years of experience in private equity investing with a particular focus on investments in the

---

**Table of Contents**

communications industry. Mr. Finnegan is a member of the Board of Overseers of Harvard College and Past President of the Harvard Alumni Association. He is also a member of the Board of Dean's Advisors at the Harvard Business School and of the Leadership Council of the Harvard School of Public Health. Mr. Finnegan is a member of the Board of Directors of the Chicago Council on Global Affairs. He is the Chairman of Teach For America in Chicago, a member of Teach For America's National Board, and the Chairman of the Community Works Advisory Committee of the Evanston Community Foundation. During the previous five years, Mr. Finnegan has also served as a director for iPlan, LLC, Rural Cellular Corporation, Council Tree Hispanic Broadcasters, LLC and PAETEC Communications, Inc. Mr. Finnegan is a graduate of Harvard College where he earned a bachelor's degree and a graduate of Harvard Graduate School of Business Administration where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Finnegan possesses particular knowledge and experience in strategic planning and leadership of complex organizations and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Robin P. Selati** serves as a manager of CDW Holdings and CDW LLC. Mr. Selati is a Managing Director of Madison Dearborn and joined the firm in 1993. Before 1993, Mr. Selati was with Alex. Brown & Sons Incorporated. Mr. Selati currently serves on the Board of Directors of BF Bolthouse Holdco LLC, Ruth's Hospitality Group, Inc. and The Yankee Candle Company, Inc. During the previous five years, Mr. Selati also served as a director for Tuesday Morning Corporation, Carrols Restaurant Group, Inc., Pierre Holding Corp., Family Christian Stores, Inc., NWL Holdings, Inc. and Cinemark, Inc. Mr. Selati is a graduate of Yale University where he earned a bachelor's degree and a graduate of the Stanford University Graduate School of Business where he earned a Master of Business Administration. As a result of these and other professional experiences, Mr. Selati possesses particular knowledge and experience in accounting, finance and capital market transactions, strategic planning and leadership of complex organizations, and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Donna F. Zarcone** serves as a manager of CDW Holdings and CDW LLC. Ms. Zarcone is the President and Chief Executive Officer of D. F. Zarcone & Associates LLC, an advisory firm. Prior to founding D. F. Zarcone & Associates, Ms. Zarcone was President and Chief Operating Officer of Harley-Davidson Financial Services, Inc., a provider of wholesale and retail financing, credit card and insurance services for dealers and customers of Harley-Davidson. After joining Harley-Davidson in June 1994 as Vice President and Chief Financial Officer, Ms. Zarcone was named President and Chief Operating Officer in August 1998. Prior to joining Harley-Davidson, Ms. Zarcone served as Executive Vice President, Chief Financial Officer and Treasurer of Chrysler Systems Leasing, Inc. from November 1982 through June 1994 and in various management roles at KPMG/Peat Marwick from May 1979 through November 1982. Ms. Zarcone serves on the board of directors of Cigna Corporation, The Jones Group Inc., The Duchossois Group and Wrightwood Capital. She also serves as a board member on various civic and professional organizations, including the Economic Club of Chicago, National Association of Corporate Directors - Chicago Chapter, University of Chicago Booth School of Business Polsky Center for Entrepreneurship, the Chicago Club and Hyde Park Angels. Ms. Zarcone is a graduate of Illinois State University where she earned a bachelor's degree and a graduate of University of Chicago Booth School of Business where she earned a Masters of Business Administration. Ms. Zarcone is also a certified public accountant. As a result of these and other professional experiences, Ms. Zarcone possesses particular knowledge and experience in accounting, finance, strategic planning and leadership of complex organizations, and board practices of other major corporations that strengthen the Board's collective qualifications, skills and experience.

**Boards of Managers and Directors**

The board of managers of each of CDW Holdings and CDW LLC is currently composed of ten managers. The board of directors of Parent is currently composed of three directors. Because affiliates of Madison Dearborn and Providence Equity own approximately 94.8% of the voting common units of CDW Holdings, we would be a controlled company within the meaning of Rule 5615 of the Nasdaq Marketplace Rules, which would qualify us for exemptions from certain corporate governance rules of The Nasdaq Stock Market, Inc., including the requirement that the board of directors be composed of a majority of independent directors.

## **Table of Contents**

### **Audit Committee**

Our audit committee currently consists of Messrs. Dominguez and Selati and Ms. Zarcone. Our audit committee has responsibility for, among other things, the quality of our financial reporting and internal control processes, our independent auditor's performance and qualification and the performance of our internal audit function.

### **Compensation Committee**

Our compensation committee currently consists of Messrs. Alesio, Allen, Chereskin, Creamer, Dominguez and Selati. Our compensation committee has responsibility for, among other things, review and approval of executive compensation, review and approval of equity compensation and review of trends in management compensation.

### **Corporate Governance Committee**

Our corporate governance committee currently consists of Messrs. Dominguez and Selati. Our corporate governance committee has responsibility for, among other things, review and approval of the size of our Board, review of corporate governance guidelines, and oversight of programs for our managers.

### **Compensation Committee Interlocks and Insider Participation**

None of our executive officers has served as a member of the board of directors or compensation committee of another entity that had one or more of its executive officers serving as a member of any of our boards of managers or boards of directors.

### **Director Compensation**

See Executive Compensation Director Compensation.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

***Introduction***

This Compensation Discussion and Analysis provides an overview of the Company's executive compensation philosophy and the material elements of compensation earned by our Named Executive Officers with respect to 2010.

Our Named Executive Officers consist of our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers. For 2010, these Named Executive Officers are:

John A. Edwardson, Chairman and Chief Executive Officer

Thomas E. Richards, President and Chief Operating Officer

Ann E. Ziegler, Senior Vice President and Chief Financial Officer

Douglas E. Eckrote, Senior Vice President, Strategic Solutions and Services

Christine A. Leahy, Senior Vice President, General Counsel and Corporate Secretary

On October 12, 2007, we were acquired by a company controlled by investment funds affiliated with the Equity Sponsors and we ceased, at that time, being a public company subject to SEC and stock exchange listing rules (the Acquisition). Following the Acquisition, the Compensation Committees of CDW Holdings (our ultimate parent company) and CDW LLC collectively have responsibility for determining the compensation of our Named Executive Officers. The two Compensation Committees are comprised of the same members, each of whom was appointed by the Equity Sponsors. For purposes of this Compensation Discussion and Analysis, these two Compensation Committees are collectively referred to as the Committee.

In 2010, the Company registered public debt with the SEC, again subjecting the Company to certain SEC rules and disclosure requirements.

***Establishing and Evaluating Executive Compensation***

***Executive Compensation Philosophy and Objectives***

The Committee believes that the Company's executive compensation programs should reward actions and behaviors that drive long-term, profitable revenue growth at above-market rates while also rewarding the achievement of short-term performance goals. The following objectives are grounded in a pay-for-performance philosophy and provide a framework for the Company's executive compensation programs:

Attract, retain and motivate high performing talent;

Directly align executive compensation elements with both short-term and long-term Company performance; and

## Edgar Filing: CDW Corp - Form S-4/A

Align the interests of our executives with those of our stakeholders.  
These objectives guided the decisions made by the Committee with respect to 2010 executive compensation.

### *Market Comparisons*

Since the Acquisition, the Company has continued to utilize the peer group established prior to the Acquisition. Historically, each of the companies in the Company's peer group met one or more of the following criteria: (i) operated in the same line of business as the Company; (ii) operated close to the Company's line of business; (iii) operated in a business-to-business distribution environment; or (iv) competed with the Company for talent.

**Table of Contents**

Compensation data with respect to the peer group is compiled by Aon Hewitt, a global human capital consulting and outsourcing firm. To account for the differences in revenue size between the members of the peer group and the Company, the compensation data in the peer group analysis is statistically adjusted by Aon Hewitt on the basis of revenue. This allows the Committee to review the compensation data on a size-adjusted basis. The peer group considered by the committee in setting 2010 executive compensation consisted of the following companies:

Anixter International, Inc.	Office Depot, Inc.
Arrow Electronics, Inc.	OfficeMax Incorporated
Avaya Inc.	PC Connection Inc.
Best Buy Co., Inc.	RadioShack Corporation
C. R. Bard, Inc.	Staples, Inc.
GTSI Corp.	Tech Data Corporation
Illinois Tool Works Inc.	United Stationers Inc.
Ingram Micro Inc.	W.W. Grainger, Inc.
Insight Enterprises, Inc.	Wesco International, Inc.
NCR Corporation	

As our business model continued to evolve following the Acquisition to that of a multi-brand technology solutions provider, the Committee felt it appropriate to supplement the peer group with data taken from a technology industry survey of approximately 1,000 companies prepared by Radford, a leading provider of compensation market data. For Mr. Edwardson, the peer group is the primary market data source, given the availability of chief executive officer compensation data in public filings, and the compensation survey data provides a supplemental viewpoint. For the other Named Executive Officers, the peer group data and compensation survey data are weighted equally in the Committee's analysis of market pay practices. For purposes of this Compensation Discussion and Analysis, the peer group data and compensation survey data are collectively referred to as market data.

Historically, amounts paid or awarded to the Named Executive Officers have been based on individual and Company performance, and market data has been used by the Committee to provide a perspective on executive compensation. In order to evaluate the competitiveness and reasonableness of the Company's executive compensation program, the Committee compares base salary to the market 50th percentile, and total target cash compensation and total compensation, including long-term incentive opportunity, to a market range of the 50th to 75th percentile. The total cash compensation opportunity for an executive is generally set to provide above market median total cash compensation for performance above market growth rate expectations. In conjunction with market data, the Committee also considers the executive's overall responsibilities, individual performance against Company goals and leadership impact when establishing appropriate compensation levels.

*Role of Executive Officers*

The Committee is responsible for all compensation decisions for our Named Executive Officers. The Company's Chief Executive Officer, John A. Edwardson, annually reviews the performance of each executive officer and makes recommendations based on these reviews to the Committee.

*Elements of Compensation*

The Company's executive compensation program consists of the following principal elements:

Base salary;

Annual cash incentive awards (the Senior Management Incentive Plan);

Long-term incentive awards; and



Severance benefits.

*Base Salary*

Base salaries are included in the Company's total compensation package to provide a portion of compensation in the form of fixed cash. The Committee generally sets base salaries for executives, including the Named Executive Officers, below the market median of salaries for executives in similar positions and with similar responsibilities at companies included in the market data. Aligned with our compensation philosophy, a large

---

## Table of Contents

proportion of executives' total target cash compensation is non-fixed, or variable, to provide a strong connection between pay and performance. Accordingly, in 2010, Mr. Edwardson's base salary was 39% of his total target cash compensation, and base salaries for the other Named Executive Officers ranged from 28% to 42% of their total target cash compensation.

In light of the continuing uncertainty in the general market, Mr. Edwardson recommended that there be no increases to the base salaries from the levels established in 2009 for any of the Named Executive Officers. Based on this recommendation, none of the Named Executive Officers received an increase in base salary for 2010.

### *Annual Cash Incentive Awards (Senior Management Incentive Plan)*

CDW provides its senior management with short-term incentive compensation through its annual cash bonus program, the Senior Management Incentive Plan (SMIP). Short-term compensation under SMIP is a significant component of an executive's total target cash compensation opportunity in a given year.

As noted above, the Committee generally assesses an executive's total target cash compensation for competitiveness and reasonableness against the market data. The total cash compensation opportunity for an executive is generally set to provide above market median total cash compensation for performance above market growth rate expectations. Because the Named Executive Officer base salary levels historically have been below the 50th percentile of the market data, the Committee has long relied on SMIP to provide a significant component of the Named Executive Officer's total target cash compensation. For 2010, in light of the continued uncertainty in the general market, the Committee did not increase the SMIP target award levels from those set for 2009 for the Named Executive Officers other than Ms. Ziegler and Ms. Leahy. The Committee approved an increase to Ms. Ziegler's SMIP target from \$630,000 to \$700,000 and Ms. Leahy's SMIP target from \$365,000 to \$400,000 to position their total target cash compensation more competitively in the market. For 2010, Mr. Edwardson's SMIP target award represented 61% of his total target cash compensation, and SMIP target awards for our other Named Executive Officers ranged from 58% to 72% of their respective total target cash compensation.

In establishing annual performance goals under SMIP, the Committee undertakes a rigorous review and analysis to ensure that the performance goals correlate to above market performance. Factors considered by the Committee in establishing the performance goals include projected market growth rates and the Company's market share gains, productivity and investments.

The Committee believed that a combination of Adjusted EBITDA and market share performance was the most meaningful measure of the Company's 2010 performance for its stakeholders because together they take into account not only the Company's absolute performance but also performance relative to the market. Adjusted EBITDA is a non-GAAP financial measure. See Management's Discussion and Analysis of Financial Condition and Results of Operations for further information regarding the calculation of Adjusted EBITDA.

For 2010, the Committee set the annual Adjusted EBITDA performance goal at \$500 million, an aggressive level that required Company performance to be above projected market growth rates. Additionally, the threshold payout level was set so as to require the Company to meet or exceed prior year Adjusted EBITDA results for any incentive payments to be made to senior management under SMIP. The Committee also included a market share factor as a mechanism to adjust payments under SMIP. This design feature adjusts SMIP awards based on the Company's financial and operational success relative to market.

In operation, therefore, payment of awards under SMIP for performance during 2010 was guided by three principles:

Target payout requires growth above projected market growth rates;

Threshold payout requires performance at or above prior year level; and

The market share governor adjusts payouts if the Company underperforms the market.

The SMIP payout curve had a payout range from 0% to 200% of each participant's target SMIP award for performance between 93.1% and 125% of the Adjusted EBITDA goal, with different levels of payout for increased or constant/decreased market share, and no payout if the Company failed to achieve 2009 Adjusted EBITDA performance. The threshold, target and maximum payout opportunities under the SMIP payout curve are set forth below:



**Table of Contents**

Payout Opportunity (1)	Adjusted EBITDA Performance Goal	Market Share Governor (2)	
	(% of attainment of performance goal)	Grew (% of target bonus)	Remained Constant/Declined (% of target bonus)
Maximum	125.0%	200%	180%
Adjusted EBITDA Performance Goal	100.0%	100%	90%
Minimum Performance Threshold	93.1%	25%	15%

- (1) Payouts were determined under a grid based on various performance achievement levels for Adjusted EBITDA and market share changes.  
(2) Market share changes were measured internally based on data from six industry surveys and reports as well as financial information regarding four publicly traded resellers and four publicly traded technology distributors and/or manufacturers.

In 2010, the Committee determined that the Company had achieved 120% of its Adjusted EBITDA performance goal and the Company's market share grew, resulting in a payout percentage of 190% of each Named Executive Officer's bonus target. As indicated by these results, the Company performed well during 2010. Although that success, to some extent, was a function of the overall economy's recovery in 2010, as indicated by the Company's increase in market share, the Company's financial and operational success was, to a greater extent, a direct result of the Company's ability to continue to effectively serve its customers and the Company's success in maintaining the cost structure and discipline that it instituted during the economic downturn.

The table below sets forth the SMIP payouts to each of the Named Executive Officers based upon 2010 performance:

Named Executive Officer	SMIP Bonus Target	Calculated SMIP Payout
John A. Edwardson	\$1,300,000	\$2,470,000
Thomas E. Richards	\$1,050,000	\$1,995,000
Ann E. Ziegler	\$ 700,000	\$1,330,000
Douglas E. Eckrote	\$ 700,000	\$1,330,000
Christine A. Leahy	\$ 400,000	\$ 760,000

**Long-Term Incentive Program**

The Equity Sponsors believe that members of senior management should hold a personally significant interest in the equity of the Company to align their interests and the interests of our stakeholders. As described below, the Equity Sponsors implemented their management investment philosophy by requiring members of senior management to invest in the Company and by establishing a profits-interest program. Profits-interest programs are common practice in portfolio companies of private equity firms and allow participants to share in increases in the equity value of the Company.

**A Units**

The Equity Sponsors' investment in the Company is held in the form of Class A Common Units of CDW Holdings (A Units). Each of our current Named Executive Officers who was with the Company at the time of the Acquisition was required to invest in the Company by purchasing A Units with cash, by exchanging shares of CDW stock for A Units equivalent in value, or on a deferred basis by deferring certain of their 2007 compensation into deferred A Units.

**B Unit Program**

The Company granted Class B Common Units of CDW Holdings (B Units) in 2007 to each of our current Named Executive Officers who were with the Company at the time of the Acquisition. The Committee also has the authority to grant B Units to new members of senior management and additional B Units to current members of senior management. The Committee granted B Units to Mr. Richards and Ms. Ziegler in connection with the commencement of their employment in 2009 and 2008, respectively. In March 2010, the Committee awarded Mr. Edwardson and Ms. Ziegler an additional 7,660 B Units and 1,766 B Units, respectively. In determining the size of the awards, the Committee considered market data and, in the case of Mr. Edwardson, the fact that Mr. Edwardson was not a participant in the Restricted Debt Unit Plan, the other component of the Company's long-term incentive program.



**Table of Contents**

A Units and B Units each represent an equity interest in CDW Holdings. Prior to 2010, however, there was one significant difference between the two instruments. Specifically, the B Units had what was called a participation threshold. That is, the B Units would only share in equity appreciation above a specific pre-defined value. This placed the B Units in a secondary position to the A Units in that in any event in which the equity was valued and paid out, holders of the B Units would be paid only if an amount at least equal to the participation threshold had first been allocated to the A Units. The A Units and the B Units would share equally in valuation amounts, if any, above the participation threshold. As the economy and general market conditions deteriorated significantly in 2008 and 2009, the value of the B Units held by senior management under the Company's long-term incentive program was severely diminished. In mid 2009, the Committee began to consider various alternatives for restoring the effectiveness of the Company's long-term incentive program by providing key leaders with a more meaningful interest in, and reward for, driving the growth and long-term value of the Company. The Committee's goal was to retain critical talent and to motivate key leaders to drive the long-term success of the Company. In considering modifications to the long-term incentive program, the Committee reviewed each executive's total target compensation, including the overall long-term incentive opportunity, compared to the market data. See

Establishing and Evaluating Executive Compensation Market Comparisons for further information regarding the market data.

As a result of such review, early in 2010, the Committee recommended, and the Board approved, amendments to the B Unit program. The amendments effectively eliminated the B Unit participation threshold for all B Units outstanding at that time. As a result of this change, A Units and the B Units outstanding at the time of the modification are in all material respects on an equal footing. That is, increases in the equity value of the Company are shared equally by the two types of equity interests. Because the purpose of the amendments was to drive future increases in the equity value of the Company, as part of the changes, the Board required that the vesting of all B Units, including those that had previously vested, be reset so that all B Units became subject to a new five-year vesting period, commencing on January 1, 2010.

The modification to the B Unit program affected all current participants in the B Unit program, including all of the Named Executive Officers.

For additional information about the deferred A Units and B Units granted to the Named Executive Officers, see the narrative accompanying the Grants of Plan-Based Awards Table, the table entitled 2010 Outstanding Equity Awards at Fiscal Year-End and the 2010 Units Vested Table below.

**RDU Plan**

In connection with its review of the long-term incentive program, the Committee recommended, and the Board approved, the establishment of a Restricted Debt Unit Plan (the RDU Plan) which was designed to retain key leaders and focus them on driving the long-term success of the Company. The RDU Plan is an unfunded nonqualified deferred compensation plan. Participants in the RDU Plan were granted Restricted Debt Units (RDUs) in March 2010 that entitle the participant to a proportionate share of payments under the RDU Plan, determined by dividing the number of RDUs held by the participant by 28,500, which is the total number of RDUs available under the RDU Plan. Each RDU represents \$1,000 of face value of the Existing Senior Subordinated Notes.

The RDUs vest on a pro rata basis over the three-year period commencing January 1, 2012 through December 31, 2014. The RDUs are designed to track two components of the Existing Senior Subordinated Notes, a principal component and an interest component. However, the participants have no rights to the underlying debt. The total amount of compensation available under the RDU Plan is based on these two components. The principal component credits the RDU Plan with an amount equal to \$28.5 million face value of the Existing Senior Subordinated Notes (the debt pool). Payment of the principal component under the RDU Plan will be made to participants on October 12, 2017, unless accelerated due to a sale of the Company. The interest component credits the RDU Plan with amounts equal to the interest that would have been earned on the debt pool from March 10, 2010 through maturity (October 12, 2017). These amounts will be paid to participants on the interest payment dates, except that amounts for 2010 and 2011 are deferred until 2012. At the time the Company implemented the RDU Plan, the Company repurchased and retired \$28.5 million principal amount of the Senior Subordinated Bridge Loans. The Company purchased the debt at a discount to the face value, which effectively reduced the overall cost of the RDU Plan to the Company.

There are currently 26 participants in the RDU Plan, including each of the Named Executive Officers other than Mr. Edwardson. Mr. Edwardson did not participate in the RDU Plan because he, as noted above, received additional B Units. The table below sets forth the number of RDUs received by each Named Executive Officer. In determining the size of the RDU awards, the Committee considered market data with respect to total target compensation and long-term incentive opportunity.

**Table of Contents**

Named Executive Officer	Number of RDUs
John A. Edwardson	
Thomas E. Richards	5,130
Ann E. Ziegler	3,135
Douglas E. Eckrote	2,565
Christine A. Leahy	2,565

For additional information regarding the operation of the RDU Plan and the RDUs granted to the Named Executive Officers, see the narrative accompanying the 2010 Non-Qualified Deferred Compensation table and the 2010 Potential Payments Upon Termination or Change in Control section.

*Severance Benefits*

The Company's employment arrangements with each of the Named Executive Officers provide for payments and other benefits in connection with certain qualifying terminations of employment with the Company. The Committee believes that these arrangements: (i) help secure the continued employment and dedication of the Named Executive Officers; (ii) enhance the Company's value to a potential acquirer because the Named Executive Officers have noncompetition, nonsolicitation and confidentiality provisions that apply after any termination of employment, including after a change in control of the Company; and (iii) are important as a recruitment and retention device, as many of the Companies with which we compete for executive talent have similar agreements in place for their senior management.

Additional information regarding the employment arrangements with each of the Named Executive Officers, including a quantification of benefits that would have been received by each Named Executive Officer had his or her employment terminated on December 31, 2010, is provided under 2010 Potential Payments Upon Termination or Change in Control.

*Other Benefits*

Our Named Executive Officers participate in the Company's corporate-wide benefit programs. Our Named Executive Officers are provided benefits that are generally commensurate with the benefits provided to all full-time CDW coworkers, which includes participation in the Company's qualified defined contribution plan. Consistent with the Company's performance-based culture, the Company does not offer a service-based defined benefit pension plan or other similar benefits to its coworkers. Similarly, the Company does not provide nonqualified retirement programs or perquisites that are often provided at other companies to the Named Executive Officers.

**2010 Summary Compensation Table**

The following table provides information regarding the compensation earned during the last two fiscal years by our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers, whom we collectively refer to as our Named Executive Officers.

**Table of Contents**

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (2))	Stock Awards (\$ (3))	Non-Equity Incentive	Nonqualified Deferred	All Other Compensation (\$ (7))	Total (\$)
					Option Awards (\$)	Plan Compensation (\$ (5))		
John A. Edwardson <i>Chairman and Chief Executive Officer</i>	2010	825,000		4,191,657		2,470,000		7,486,657
	2009	564,205(1)	250			683,800	3,193	1,251,448
Thomas E. Richards <i>President and Chief Operating Officer</i>	2010	700,000		2,238,960(4)		1,995,000	296,561	10,360,521
	2009	175,000	1,208,896				30,274	1,414,170
Ann E. Ziegler <i>Senior Vice President and Chief Financial Officer</i>	2010	320,000		628,429		1,340,000	181,232	5,604,661
	2009	317,538	100			331,380	3,193	652,211
Douglas E. Eckrote <i>Senior Vice President, Strategic Solutions and Services</i>	2010	275,000		514,867		1,340,000	148,281	4,843,148
	2009	272,885	350			368,200	3,193	644,628
Christine A. Leahy (8) <i>Senior Vice President, General Counsel and Corporate Secretary</i>	2010	285,000		380,481		770,000	148,281	4,148,762

- (1) For 2009, Mr. Edwardson voluntarily reduced his 2009 base salary.
- (2) Each of the Named Executive Officers received a bonus in 2009 under the 25th Anniversary Award program, under which all CDW coworkers received a bonus in an amount equal to \$50 for each year of service. The amount reported for Mr. Richards for 2009 also includes a one-time sign-on bonus in the amount of \$1,186,000 and the balance of his unused relocation allowance which was distributed to him in the form of a cash bonus in the amount of \$22,846.
- (3) The amounts reported represent the grant date fair value of B Unit grants and the incremental fair value associated with the modification of the B Unit program in 2010, each as computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation Stock Compensation ( FASB ASC Topic 718 ). See Note 12 to the Audited Financial Statements for a discussion of the relevant assumptions used in calculating these amounts. Please see the Compensation Discussion and Analysis for further information regarding the 2010 B Unit grants to Mr. Edwardson and Ms. Ziegler and the modification to the B Unit program, which impacted the outstanding B Units held by each of the Named Executive Officers other than the 2010 B Unit grants.
- (4) Under relevant accounting rules, the grant of 18,658 B Units that Mr. Richards received pursuant to the terms of his 2009 offer letter was considered made in 2010 rather than 2009 and, accordingly, is reflected in the 2010 Summary Compensation Table as 2010 compensation.
- (5) The amounts included in the Non-Equity Incentive Plan Compensation column reflect cash awards to the Named Executive Officers under SMIP as well as, with respect to Ms. Ziegler, Mr. Eckrote and Ms. Leahy, a special performance bonus of \$10,000 based on EBITDA results for 2010. Please see the Compensation Discussion and Analysis for further information regarding the SMIP.
- (6) Pursuant to SEC disclosure rules, the amounts reported represent the portion of the interest credited under the RDU Plan that exceeds 120% of the applicable federal long-term rate from March 2010. As noted in the Compensation Discussion and Analysis, interest earned during 2010 under the RDU Plan will be deferred until 2012.
- (7) For all Named Executive Officers, other than Mr. Edwardson, All Other Compensation consists of the number of RDUs that each named executive received multiplied by \$1,000, the face amount of an RDU. Participants in the RDU Plan vest in the principal component on a pro rata basis over the three-year period commencing January 1, 2012 through December 31, 2014, subject to earlier vesting in the event of certain qualifying terminations of employment or a sale of the Company. Because the amounts reported represent the principal amount of the unvested RDUs, these amounts may not correspond to the actual value that will be recognized by the Named Executive Officer. The grants are recognized as compensation expense ratably from March 2010 through the vesting date. In 2010, the amount recognized as compensation expense for each of the participating Named Executive Officers is as follows: Mr. Richards \$753,344; Ms. Ziegler \$460,376; Mr. Eckrote \$376,672; and Ms. Leahy \$376,672. As noted in the Compensation Discussion and Analysis, Mr. Edwardson does not participate in the RDU Plan.
- (8) Ms. Leahy was not a Named Executive Officer in 2009.



**Table of Contents****2010 Grants of Plan-Based Awards Table**

The following table shows the possible payouts to our Named Executive Officers in 2010 under our SMIP, the 2010 grant of B Units to Mr. Edwardson and Ms. Ziegler and the number of units impacted by and incremental fair value resulting from the 2010 modifications to the B Unit program.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under All Equity Incentive Plan Awards			All Other Stock Awards: Number of Underlying Securities	All Other Option Awards: Base Price of Option Awards	Grant Date Fair Value of Stock Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)			
John A. Edwardson	3/10/2010 (4)	325,000(1)	1,300,000(1)	2,600,000(1)				7,660(3) 54,541(4)		919,195 3,272,462
Thomas E. Richards	(5)	262,500(1)	1,050,000(1)	2,100,000(1)				(5)		(5)
Ann E. Ziegler	3/10/2010 (4)	175,000(1)	700,000(1) 10,000(2)	1,400,000(1)				1,766(3) 6,942(4)		211,880 416,549
Douglas E. Eckrote	(4)	175,000(1)	700,000(1) 10,000(2)	1,400,000(1)				8,581(4)		514,867
Christine A. Leahy	(4)	100,000(1)	400,000(1) 10,000(2)	800,000(1)				6,341(4)		380,481

- (1) These amounts represent threshold, target and maximum cash award levels set in 2010 under the SMIP. The amount actually earned by each Named Executive Officer is reported as Non-Equity Incentive Plan Compensation in the 2010 Summary Compensation Table.
- (2) These amounts represent a special performance bonus of \$10,000 based on EBITDA results for 2010. This bonus is reported as Non-Equity Incentive Plan Compensation in the 2010 Summary Compensation Table.
- (3) These amounts represent B Units granted in 2010 under the Company's 2007 Incentive Equity Plan. These B Units vest daily on a pro rata basis commencing on the date of grant and continuing through the five-year anniversary of the date of grant.
- (4) These amounts represent the number of B Units that were impacted by the modification to the B Unit program in 2010 and do not reflect new B Unit grants to these Named Executive Officers. As part of the modification to the B Unit program, the vesting of these B Units was reset to a new five-year vesting period commencing on January 1, 2010. Please see the Compensation Discussion and Analysis for further information regarding the 2010 modifications to the B Unit program.
- (5) Pursuant to the terms of Mr. Richards' employment letter agreement, Mr. Richards received 18,658 B Units in connection with his commencement of employment with the Company, and Mr. Richards began vesting daily in this grant on pro rata basis commencing in 2009. Under relevant accounting rules, even though Mr. Richards received the award in 2009 and the award was reported in the 2009 Grants of Plan-Based Awards table, this award was deemed made in 2010. The grant date fair value of the award, calculated in accordance with FASB ASC Topic 718, equals \$2,238,960.
- (6) The amounts reported in this column represent the grant date fair value of the 2010 B Unit grants and the incremental fair value associated with the modification of the B Unit program in 2010, each as computed in accordance with FASB ASC 718. See Note 12 to the Audited Financial Statements for a discussion of the relevant assumptions used in calculating these amounts.

**Narrative to Summary Compensation Table and Grants of Plan-Based Awards Table***Employment Agreements and Arrangements*

On October 12, 2007, in connection with the Acquisition, the Company entered into an employment agreement with Mr. Edwardson, pursuant to which Mr. Edwardson agreed to continue to serve as the Company's Chief Executive Officer. Mr. Edwardson's employment agreement provides

for, among other items, (i) an annual base

**Table of Contents**

salary of \$760,000 subject to merit increases, (ii) an annual incentive bonus target of not less than \$1,000,000, and (iii) a one-time grant of approximately 54,500 B Units in 2007. The employment agreement also provides Mr. Edwardson with certain severance payments following a qualifying termination of employment. See [2010 Potential Payments upon Termination or Change in Control](#) below for a description of such severance payments.

With respect to the Named Executive Officers other than Mr. Edwardson, the Company has entered into compensation protection agreements with each Named Executive Officer that provide for payments and other benefits upon a qualifying termination of the Named Executive Officer. The terms of the Company's form of compensation protection agreement are described in [2010 Potential Payments upon Termination or Change in Control](#).

*SMIP*

Please see the Compensation Discussion and Analysis for further information regarding the operation of the SMIP.

*Class B Common Units*

The B Unit program is a profits-interest compensation program that was designed to permit holders of B Units to share in the increase in the equity value of the Company above a pre-defined value for the A Units.

The B Units vest daily on a pro rata basis between the date of grant and the fifth anniversary of the date of grant if, and only if, the executive is, and has been, continuously employed by the Company or any of its subsidiaries, serving as a manager or director of the Company or its subsidiaries, or providing services to the Company or any of its subsidiaries as an advisor or consultant. Immediately prior to a sale of the Company, all unvested B Units shall immediately vest if the executive is, and has been, continuously employed by or providing services to the Company or its subsidiaries as of the date of the transaction.

As noted in the Compensation Discussion and Analysis, in March 2010, the Committee awarded Mr. Edwardson and Ms. Ziegler 7,660 B Units and 1,766 B Units, respectively. In addition, early in 2010, the Committee recommended, and the Board approved, amendments to the B Unit program. The incremental fair value associated with the modification of the B Unit program is reported in the [2010 Summary Compensation Table](#) and [2010 Grants of Plan-Based Awards](#) table. Please see the Compensation Discussion and Analysis for further information regarding the 2010 B Unit grants to Mr. Edwardson and Ms. Ziegler and the modification to the B Unit program.

**2010 Outstanding Equity Awards at Fiscal Year-End**

The following table summarizes the number and value of unvested equity awards held by each Named Executive Officer on December 31, 2010.

Name	Number of Units That Have Not Vested (#) (1)	Market Value of Units That Have Not Vested (\$) (2)
John A. Edwardson	49,774	\$ 7,759,333
Thomas E. Richards	14,930	\$ 2,327,513
Ann E. Ziegler	6,968	\$ 1,086,307
Douglas E. Eckrote	6,867	\$ 1,070,460
Christine A. Leahy	5,074	\$ 791,059

- (1) Amounts reported in this column represent the number of unvested B Units held by each Named Executive Officer as of December 31, 2010. For each of the Named Executive Officers, the B Units vest daily on a pro rata basis over a five year period commencing on January 1, 2010.
- (2) Following the Acquisition, the Company's equity ceased to be publicly traded. Based on an internal valuation taking into account various assumed transaction fees, including debt call premiums and make whole amounts, the B Units were attributed with a \$155.89 market value as of December 31, 2010.

**Table of Contents****2010 Units Vested Table**

The following table summarizes the value of equity that vested during 2010 for the Named Executive Officers.

Name	Number of Units	Value
	Acquired on Vesting (#) (1)	Realized on Vesting (\$) (2)
John A. Edwardson	12,427	\$ 1,937,180
Thomas E. Richards	3,728	\$ 581,082
Ann E. Ziegler	1,740	\$ 271,205
Douglas E. Eckrote	1,714	\$ 267,249
Christine A. Leahy	1,267	\$ 197,494

- (1) Amounts reported in this column represent the number of the Named Executive Officer's B Units that vested during 2010. These B Units remain subject to transfer restrictions pursuant to the terms of the B Unit agreements.
- (2) Following the Acquisition, the Company's equity ceased to be publicly traded. Based on an internal valuation taking into account various assumed transaction fees, including debt call premiums and make whole amounts, the B Units were attributed with a \$155.89 market value as of December 31, 2010.

**2010 Non-Qualified Deferred Compensation**

The following table and accompanying narrative provides information regarding the Company's Restricted Debt Unit Plan (the RDU Plan) and deferred unit program.

Name	Executive Contributions In Last Fiscal Year (\$)	Registrant Company Contributions In Last Fiscal Year (\$ (1))	Aggregate Earnings in Last Fiscal Year (\$ (2))	Aggregate Withdrawals / Distributions (\$ (3))	Aggregate Balance At Last Fiscal Year-End (\$ (4))
John A. Edwardson					
Thomas E. Richards		5,130,000	513,436		5,643,436
Ann E. Ziegler		3,135,000	313,767		3,448,767
Douglas E. Eckrote		2,565,000	268,478	11,760	2,821,718
Christine A. Leahy		2,565,000	264,289	7,571	2,821,718

- (1) The amounts reported in this column represent the number of Restricted Debt Units (RDU) that each Named Executive Officer received during 2010 multiplied by \$1,000, the face amount of an RDU. Please see the following narrative entitled "RDU Plan" for a description of the principal component of the RDU Plan. These amounts are included in the "All Other Compensation" column in the 2010 Summary Compensation Table. Participants in the RDU Plan vest on a pro rata basis over the three-year period commencing January 1, 2012 through December 31, 2014, subject to earlier vesting in the event of certain qualifying terminations of employment or a sale of the Company. Accordingly, none of the amounts reported in this column as of December 31, 2010 were vested.
- (2) The amounts reported in this column represent interest credited to each Named Executive Officer's RDU account and the aggregate increase in value of the deferred A Units held by Mr. Eckrote and Ms. Leahy. Please see the following narrative entitled "RDU Plan" for a description of the interest component of the RDU Plan and the narrative entitled "Deferred Units" for further information regarding the Deferred Unit program that was established in connection with the Acquisition. The portion of the interest credited that is above the applicable long-term federal rate is included in the "Nonqualified Deferred Compensation Earnings" column in the 2010 Summary Compensation Table. Participants in the RDU Plan vest in the interest payments accrued under the RDU Plan from March 10, 2010 through December 31, 2011 on December 31, 2011, subject to earlier vesting in the event of certain qualifying terminations of employment or a sale of the Company. Accordingly, none of the amounts attributable to RDU interest reported in this column as of December 31, 2010 were vested.

## Edgar Filing: CDW Corp - Form S-4/A

- (3) The amounts reported in this column represent the October 2010 settlement of Mr. Eckrote's and Ms. Leahy's deferred A Units. Based on an internal valuation taking into account various assumed transaction fees, including debt call premiums and make whole amounts, the A Units were attributed with a \$12.84 market value as of the settlement date. Please see the following narrative entitled "Deferred Units" for further information regarding the Deferred Unit program that was established in connection with the Acquisition.

**Table of Contents**

- (4) The amounts reported in this column represent each Named Executive Officer's balance in the RDU Plan. None of the amounts reported in this column as of December 31, 2010 were vested.

***RDU Plan***

As noted in the Compensation Discussion and Analysis, in connection with its review of the long-term incentive program, the Committee recommended, and the Board approved, the establishment of the RDU Plan. The RDU Plan is an unfunded nonqualified deferred compensation plan. Participants in the RDU Plan were granted RDUs in March 2010 that entitle the participant to a proportionate share of payments under the RDU Plan, determined by dividing the number of RDUs held by the participant by 28,500, which is the total number of RDUs available under the RDU Plan. Each RDU represents \$1,000 of face value of the Existing Senior Subordinated Notes.

The RDUs are designed to track two components of the Existing Senior Subordinated Notes, a principal component and an interest component. However, participants have no rights to the underlying debt. The total amount of compensation available under the RDU Plan is based on these two components. The principal component credits the RDU Plan with an amount equal to \$28.5 million face value of the Existing Senior Subordinated Notes (the "debt pool"). Payment of the principal component under the RDU Plan will be made to participants on October 12, 2017, unless accelerated as discussed in the "2010 Potential Payments upon Termination or Change in Control" section. The interest component credits the RDU Plan with amounts equal to the interest that would have been earned on the debt pool from March 10, 2010 through maturity (October 12, 2017). Payment of the interest component for the period from March 10, 2010 through December 31, 2011 will be made in January 2012, and payment of the interest component for periods starting after January 1, 2012 will be paid to participants semiannually on April 15 and October 15, unless accelerated as discussed in the "2010 Potential Payments upon Termination or Change in Control" section.

Participants vest in the principal component during employment on a pro rata basis over the three-year period commencing January 1, 2012 through December 31, 2014, unless accelerated as discussed in the "2010 Potential Payments upon Termination or Change in Control" section. Participants vest in the interest component for the period from March 10, 2010 through December 31, 2011 if they remain employed by the Company through December 31, 2011 and vest in the interest component for periods starting after January 1, 2012 as discussed in the "2010 Potential Payments upon Termination or Change in Control" section.

The principal and interest accrued on unallocated RDUs under the RDU Plan as of December 31, 2014 will be allocated to participants who are employed as of such date on a pro rata basis according to the number of RDUs held by each such participant compared to the total debt pool, unless accelerated as discussed in the "2010 Potential Payments upon Termination or Change in Control" section. Any RDUs allocated to participants on December 31, 2014 will be fully vested. Such principal and interest components allocated to each participant shall be paid on October 12, 2017, unless accelerated as discussed in the "2010 Potential Payments upon Termination or Change in Control" section.

See "2010 Potential Payments upon Termination or Change in Control" below for a discussion of the treatment of the RDUs upon certain terminations of employment or a sale of the Company.

***Deferred Units***

As noted in the Compensation Discussion and Analysis, the Equity Sponsors believe that members of senior management should hold a personally significant interest in the equity of the Company to align their interests and the interests of our stakeholders. To implement this philosophy, the Equity Sponsors required that each of the Named Executive Officers who was with the Company at the time of the Acquisition purchase equity in the Company in the form of a cash investment in A Units and/or defer a portion of their compensation earned in 2007 into deferred A Units.

Pursuant to deferred unit purchase agreements dated October 12, 2007, Mr. Eckrote and Ms. Leahy elected to defer a portion of compensation earned in 2007 into deferred A Units to satisfy a portion of the management investment requirement implemented by the Equity Sponsors. The deferred A Units became fully vested as of December 31, 2007. In addition, Mr. Eckrote also converted his deferred compensation account under the Company's prior nonqualified deferred compensation plan to deferred A Units which were fully vested on October 12, 2007.

---

**Table of Contents**

The Company established separate notional accounts for Mr. Eckrote and Ms. Leahy with respect to their deferred units. Pursuant to the terms of the deferred unit purchase agreements, the deferred units were settled on October 12, 2010. Upon the settlement date, Mr. Eckrote and Ms. Leahy received A Units equivalent in value to the settled deferred units.

**2010 Potential Payments upon Termination or Change in Control**

As noted above, we have entered into an employment agreement with Mr. Edwardson, which provides for certain payments and benefits upon a qualifying termination of employment. The remaining Named Executive Officers have entered into compensation protection agreements with the Company, which provide for certain payments and other benefits upon a qualifying termination of employment. In addition, each Named Executive Officer, other than Mr. Edwardson, is a participant in the RDU Plan and each Named Executive Officer is a participant in the Company's B Unit program, both of which provide for accelerated vesting of RDUs or B Units, as applicable, upon certain termination events or a sale of the Company.

A description of the material terms of each of the employment arrangements, the RDU Plan and B Unit program as well as estimates of the payments and benefits each Named Executive Officer would receive upon a termination of employment or sale of the Company, are set forth below. The estimates have been calculated assuming a termination date of December 31, 2010 and are based upon the estimated market value of the Company's B Units on that date of \$155.89 per unit (based on an internal valuation taking into account various assumed transaction fees, including debt call premiums and make whole amounts) and the \$1,000 face amount of an RDU. The amounts reported below are only estimates and actual payments and benefits to be paid upon a termination of a Named Executive Officer's employment with the Company or sale of the Company under these arrangements can only be determined at the time of termination or sale of the Company.

All of the Named Executive Officers are bound by noncompetition agreements with the Company. Under his amended and restated employment agreement, Mr. Edwardson is bound by noncompetition and nonsolicitation provisions that apply through December 31, 2016 and confidentiality provisions that apply for an unlimited period of time following any termination of his employment. The remaining Named Executive Officers are bound by noncompetition and nonsolicitation provisions that apply for a period of twelve months (if the Named Executive Officer is not eligible for severance upon termination) or eighteen months (if the Named Executive Officer is eligible for severance upon termination) following any termination of employment and confidentiality provisions that apply for an unlimited period of time following any termination of employment. The noncompetition period for the Named Executive Officers under the B Unit agreements is 18 months.

***Employment Agreement with John A. Edwardson***

We entered into an employment agreement with Mr. Edwardson on October 12, 2007 that provides for payments and other benefits in connection with the termination of his employment with the Company.

Under Mr. Edwardson's currently effective agreement, if Mr. Edwardson's employment is terminated due to Mr. Edwardson's death or disability, Mr. Edwardson or his estate, as applicable, is entitled to receive the following payments and benefits under the employment agreement: (1) accrued base salary through the date of termination of employment; (2) the amount of any SMIP bonus earned and payable, but not yet paid, for the fiscal year prior to the year in which Mr. Edwardson's termination of employment occurs; (3) any earned and unpaid portion of the SMIP bonus target determined as of the last day of the fiscal year in which Mr. Edwardson's termination of employment occurs, prorated from the first day in such fiscal year through the date of Mr. Edwardson's termination of employment; and (4) any employee benefits to which Mr. Edwardson is otherwise entitled. In addition, in the case of Mr. Edwardson's termination due to death or disability, Mr. Edwardson's Class B Common Unit grant agreement provides for the immediate vesting of the additional portion of his outstanding B Units that would vest over a period of one year from Mr. Edwardson's termination of employment. If Mr. Edwardson's employment is terminated by the Company for cause or by Mr. Edwardson without good reason, as defined in his employment agreement, Mr. Edwardson is entitled to receive the benefits described in (1), (2) and (4) above. If Mr. Edwardson's employment is terminated by the Company without cause or by Mr. Edwardson for good reason, Mr. Edwardson is entitled to receive the payments and benefits described in (1) through (4) above and a lump sum payment of two times the sum of his base salary plus his average annual incentive bonus for the last three full fiscal years. There is no acceleration or continuation of vesting of the B Units for terminations other than on account of Mr. Edwardson's death or disability.

---

**Table of Contents**

On June 30, 2011, we amended and restated Mr. Edwardson's employment agreement on June 30, 2011 in connection with his upcoming retirement and continued service as Chairman of the Board. The amended and restated agreement will become effective October 1, 2011. Under the amended and restated agreement, if Mr. Edwardson's employment is terminated by the Company without cause, by Mr. Edwardson for good reason or due to disability, Mr. Edwardson will receive, in addition to the payments and benefits outlined in the previous paragraph, continuation of medical, dental and vision insurance until he becomes eligible for Medicare benefits, and full COBRA rights for his eligible dependents once he becomes eligible for Medicare benefits or, if earlier, upon his death.

On June 30, 2011, the Board also approved the terms of a Class B Grant Agreement modification letter with Mr. Edwardson. So long as Mr. Edwardson (1) is not terminated for cause or does not resign without good reason before December 31, 2012 or (2) is terminated without cause or resigns with good reason before December 31, 2012, Mr. Edwardson's modified Class B Common Unit grant agreement provides that his unvested B Units will continue to vest in accordance with the vesting schedule set forth in his grant agreement (through 2014), subject to continuing compliance with certain covenants, even though he will cease to perform services for, or be employed by, the Company as of December 31, 2012.

***Compensation Protection Agreements***

With respect to the Named Executive Officers other than Mr. Edwardson, the Company has entered into compensation protection agreements with each Named Executive Officer that provide for payments and other benefits upon a qualifying termination of the Named Executive Officer. A qualifying termination means termination of the Named Executive Officer's employment (1) by the Company other than (A) for cause, (B) the Named Executive Officer's death or (C) the Named Executive Officer's disability, or (2) by the Named Executive Officer for good reason.

If the employment of a Named Executive Officer other than Mr. Edwardson is terminated for any reason other than a qualifying termination of employment, the Named Executive Officer is entitled to receive his or her accrued obligations. Under the terms of the compensation protection agreement, accrued obligations include the following: (1) accrued and unpaid base salary; (2) any SMIP bonus, deferred compensation and other cash compensation accrued by the Named Executive Officer to the extent not paid as of the date of termination; and (3) and vacation pay, expense reimbursements and other cash entitlements accrued by the Named Executive Officer to the extent not paid as of the date of termination.

If the employment of a Named Executive Officer other than Mr. Edwardson is terminated due to the Named Executive Officer's death or disability, the Named Executive Officer or his or her estate, as applicable, is entitled to receive the following payments under his or her compensation protection agreement: (1) accrued obligations as defined above and (2) an annual incentive bonus (based on the target bonus under the Company's SMIP), prorated through the effective date of the Named Executive Officer's termination of employment. In addition, in the case of termination due to the Named Executive Officer's death or disability, each Named Executive Officer's Class B Common Unit grant agreement provides for the immediate vesting of the additional portion of his outstanding B Units that would vest over a period of one year from such Named Executive Officer's termination of employment.

If the employment of a Named Executive Officer other than Mr. Edwardson is terminated due to a qualifying termination, the Named Executive Officer is entitled to receive the following payments and benefits under his or her compensation protection agreement: (1) accrued obligations as defined above; (2) the portion of the unpaid SMIP bonus that the Named Executive Officer would have received had he or she remained employed by the Company for the full year in which the termination occurs, based on actual performance and prorated through the date of termination; (3) continuation in accordance with the Company's regular payroll practices of the Named Executive Officer's base salary for two years or, in the case Mr. Richards resigns for good reason in certain circumstances following an acquisition of the Company on or before December 31, 2011, three years; (4) payment of two times or, in the case Mr. Richards resigns for good reason in certain circumstances following an acquisition of the Company on or before December 31, 2011, three times the Named Executive Officer's SMIP bonus that would have been earned had the Named Executive Officer remained employed by the Company for the full year in which the termination occurs, based on actual performance; (5) continuation of medical, dental, disability, accident, life insurance and other similar insurance coverage for two years or, in the case Mr. Richards resigns for good reason in certain circumstances following an acquisition of the Company on or before December 31, 2011, three years, or if earlier, the date that the Named Executive Officer became eligible for each such type of insurance coverage from a subsequent employer (provided, however, that if the Company is unable to provide such continuation benefits to the Named Executive Officer, the Company will reimburse and provide a tax-gross up for the cost associated with providing such benefits); and (6) outplacement services of up to \$20,000. The receipt of all of the payments and benefits above, except payment



## **Table of Contents**

of accrued obligations, is conditioned upon the Named Executive Officer's execution of a general release agreement in which he or she waives all claims that he or she might have against the Company and certain associated individuals and entities. There is no acceleration or continuation of vesting of the B Units for terminations other than on account of a Named Executive Officer's death or disability.

If the payments and benefits to a Named Executive Officer under their respective employment agreement or compensation protection agreement would subject the Named Executive Officer to the excise tax imposed by Section 4999 of the Internal Revenue Code, the Named Executive Officer would be entitled to receive a gross-up payment, unless the Named Executive Officer's net after-tax benefit resulting from such gross-up payment, as compared to a reduction of such payments and benefits so that no excise tax is incurred, is less than \$100,000. The foregoing gross-up payment is applicable only in the case of the Company's first change in control following its initial public offering.

### ***RDU Plan***

As noted in the Compensation Discussion and Analysis and narrative to the 2010 Non-Qualified Deferred Compensation table, in 2010 the Company established the RDU Plan. Upon a qualifying termination of employment under the compensation protection agreements, the participant will vest in the RDUs through the date of termination, determined as if the vesting schedule had been five year daily commencing on January 1, 2010. In the event of the participant's death or disability, the participant will vest in an additional 20% of the RDUs (i.e., one year of vesting on a five year daily vesting schedule). With respect to the interest component of the RDU Plan, upon a termination of employment, a participant receives interest payments, payable at the same time and same rate as other RDU participants, with respect to vested and unvested RDUs through the date of termination and with respect to vested RDUs thereafter. However, if such termination occurs prior to December 31, 2011, a participant forfeits all interest accrued under the RDU Plan unless such termination is a qualifying termination of employment or a termination of employment due to death or disability, in which case the participant receives interest payments, payable at the same time and same rate as other RDU participants, with respect to vested and unvested RDUs through the date of termination and with respect to vested RDUs thereafter.

All outstanding RDUs become vested upon a sale of the Company and participants will receive unpaid interest through the date of such sale of the Company. In addition, upon a sale of the Company, the Company is required to pay the same change in control payment, equal to 1% of the debt pool, as it would be required to pay noteholders under the indenture governing its Existing Senior Subordinated Notes. The change in control payment, as well as the principal and interest portion of the debt pool not yet allocated as of the date of the sale of the Company, will be allocated to participants who are employed as of such date on a pro rata basis according to the number of RDUs held by each participant compared to the total debt pool.