

CDW Corp
Form 10-K
March 05, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013

or

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

For the transition period from _____ to _____
Commission File Number 001-35985

CDW CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

200 N. Milwaukee Avenue
Vernon Hills, Illinois
(Address of principal executive offices)

60061
(Zip Code)

(847) 465-6000
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class: _____ Name of each exchange on which registered

Common stock, par value \$0.01 per share _____ NASDAQ Global Select Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required

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to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was \$654,984,661, based on the per share closing sale price of \$18.62 on that date (assuming the closing of the registrant's initial public offering).

As of February 28, 2014, there were 171,954,277 shares of common stock, \$0.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for use in connection with its 2014 Annual Meeting of Shareholders, to be filed not later than 120 days after December 31, 2013, are incorporated by reference into Part III of this report.

CDW CORPORATION AND SUBSIDIARIES
 ANNUAL REPORT ON FORM 10-K
 Year Ended December 31, 2013
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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical fact included in this report 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. We claim the protection of The Private Securities Litigation Reform Act of 1995 for all forward-looking statements in this report. These forward-looking statements are identified by the use of terms and phrases such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “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. 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 section entitled “Risk Factors” included elsewhere in this report. 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 the section entitled “Risk Factors” included elsewhere in this report as well as other cautionary statements that are made from time to time in our other Securities and Exchange Commission (“SEC”) filings and public communications. You should evaluate all forward-looking statements made in this report 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 report 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.

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PART I

Item 1. Business

Our Company

CDW is a Fortune 500 company and a leading provider of integrated information technology (“IT”) solutions in the U.S. and Canada. We help our customer base of approximately 250,000 small, medium and large business, government, education and healthcare customers by delivering critical solutions to their increasingly complex IT needs. Our broad array of offerings ranges from discrete hardware and software products to integrated IT solutions such as mobility, security, data center optimization, cloud computing, virtualization and collaboration. We are technology “agnostic,” with a product portfolio that includes more than 100,000 products from more than 1,000 brands. We provide our products and solutions through sales force and service delivery teams consisting of more than 4,400 coworkers, including nearly 1,800 field sellers, highly-skilled technology specialists and advanced service delivery engineers.

We are a leading U.S. sales channel partner for many original equipment manufacturers (“OEMs”) and software publishers (collectively, our “vendor partners”), whose products we sell or include in the solutions we offer. We believe we are an important extension of our vendor partners' sales and marketing capabilities, providing them with a cost-effective way to reach customers and deliver a consistent brand experience through our established end-market coverage and extensive customer access.

We provide value to our customers by simplifying the complexities of technology across design, selection, procurement, integration and management. Our goal is to have our customers, regardless of their size, view us as an indispensable extension of their IT staffs. We seek to achieve this goal by providing our customers with superior service through our large and experienced sales force and service delivery teams. Our multi-brand offering approach enables us to identify the products or combination of products that best address each customer's specific organizational IT requirements and to evolve our offerings as new technologies develop.

We believe we offer the following value proposition to our customers and our vendor partners:

Our value proposition to our customers

- Broad selection of products and multi-branded IT solutions
- Value-added services with integration capabilities
- Highly-skilled specialists and engineers
- Solutions across a very broad IT landscape

Our value proposition to our vendor partners

- Access to approximately 250,000 customers throughout the U.S. and Canada
- Large and established customer channels
- Strong distribution and implementation capabilities
- Value-added solutions and marketing programs that generate end-user demand

Our customers include private sector businesses that typically employ fewer than 5,000 employees, government agencies and educational and healthcare institutions. We serve our customers through channel-specific sales teams and service delivery teams with extensive technical skills and knowledge of the specific markets they serve. This market segmentation allows us to customize our offerings and to provide enhanced expertise in designing and implementing IT solutions for our customers. We currently have five dedicated customer channels: medium/large business, small business, government, education and healthcare, each of which generated over \$1 billion in net sales in 2013. The scale and diversity of our customer channels provide us with multiple avenues for growth and a balanced customer base to weather economic and technology cycles.

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The following table provides information regarding our reportable segments and our customer channels:

Customer Channels	Corporate Segment		Public Segment			
	Medium/Large Business	Small Business	Government	Education	Healthcare	Other
Target Customers	100 - 5,000 employees	10 - 100 employees	Various federal, state and local agencies	Higher education and K-12	Hospitals, ambulatory service providers and long-term care facilities	Advanced services customers plus Canada
2013 Net Sales (in billions)	\$4.9	\$1.1	\$1.3	\$1.4	\$1.5	\$0.6

For further information on our segments, including financial results, see Note 16 to the accompanying audited consolidated financial statements included elsewhere in this report.

We offer more than 1,000 brands, from well-established companies such as APC, Apple, Cisco, EMC, Hewlett-Packard, IBM, Lenovo, Microsoft, NetApp, Symantec and VMware to emerging vendor partners such as Drobo, Fusion-io, Meraki, Nimble Storage, Salesforce.com, Sophos and Splunk. In 2013, we generated over \$1 billion of revenue for each of four of our vendor partners and over \$100 million of revenue for each of 11 other vendor partners. We have received the highest level of certification from major vendor partners such as Cisco, EMC and Microsoft, which reflects the extensive product and solution knowledge and capabilities that we bring to our customers' IT challenges. These certifications also provide us with access to favorable pricing, tools and resources, including vendor incentive programs, which we use to provide additional value to our customers. Our vendor partners also regularly recognize us with top awards and select us to develop and grow new customer solutions.

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 regional 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.

On October 12, 2007, CDW Corporation, an Illinois corporation, was acquired through a merger transaction by an entity controlled by investment funds affiliated with Madison Dearborn Partners, LLC and Providence Equity Partners L.L.C. (the "Acquisition"). CDW Corporation continued as the surviving corporation and same legal entity after the Acquisition, but became a wholly owned subsidiary of VH Holdings, Inc., a Delaware corporation.

On December 31, 2009, CDW Corporation merged into CDWC LLC, an Illinois limited liability company owned by VH Holdings, Inc., with CDWC LLC as the surviving entity. This change had no impact on our operations or management. On December 31, 2009, CDWC LLC was renamed CDW LLC ("CDW LLC"). On August 17, 2010, VH Holdings, Inc. was renamed CDW Corporation ("Parent"), a Delaware corporation.

Throughout this report, the terms "the Company" and "CDW" refer to Parent and its 100% owned subsidiaries subsequent to the Acquisition.

Parent was previously owned directly by CDW Holdings LLC ("CDW Holdings"), a company controlled by investment funds affiliated with Madison Dearborn Partners, LLC and Providence Equity Partners L.L.C. (the "Sponsors"), certain other co-investors and certain members of CDW management. See "Sponsors" below. On July 2, 2013, Parent completed an initial public offering ("IPO") of its common stock. In connection with the IPO, CDW Holdings distributed all of its shares of Parent's common stock to its members in June 2013 in accordance with the members' respective membership interests and was subsequently dissolved in August 2013. See Note 9 to the accompanying audited consolidated financial statements included elsewhere in this report for additional discussion of the IPO.

The Sponsors beneficially owned approximately 63.7% of our common stock as of December 31, 2013.

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Our Market

We operate in the U.S. and Canadian IT market, which is a large and growing market. According to IDC, the overall U.S. IT market generated approximately \$660 billion in sales in 2013. We believe our addressable market in the U.S. in the indirect sales channel represents more than \$200 billion in annual sales and for the year ended December 31, 2013, our U.S. net sales of \$10.3 billion represented approximately 5% of that highly diverse and fragmented market. According to IDC, the overall Canadian IT market generated more than \$50 billion in sales in 2013. We believe our addressable market in Canada in the indirect sales channel represents more than \$10 billion in annual sales and for the year ended December 31, 2013, our net sales of \$475 million in Canada represented approximately 4% of that market. We believe we have the largest market share in our addressable market, with our 2013 net sales exceeding the cumulative North American net sales of our four largest publicly traded sales channel competitors, based upon publicly available information for those companies. New technologies, including cloud, virtualization and mobility, coupled with the resulting increase in demand for data as well as aging infrastructure, are increasingly requiring businesses and institutions to seek integrated solutions to their IT needs. We expect this trend to continue for the foreseeable future, with end-user demand for business efficiency and productivity driving future IT spending growth.

Our Offerings

Our offerings range from discrete hardware and software products and services to complex integrated solutions that include one or more of these elements. We believe our customers increasingly view technology purchases as integrated solutions rather than discrete product and service categories and we estimate that approximately 51% of our net sales in 2013 came from sales of product categories and services typically associated with solutions. Our hardware products include notebooks/mobile devices (including tablets), network communications, enterprise and data storage, video monitors, printers, desktop computers and servers. Our software products include application suites, security, virtualization, operating systems, network management and Software as a Service (“SaaS”) offerings. We also provide a full suite of value-added-services, which range from basic installation, warranty and repair services to custom configuration, data center and network implementation services, as well as managed services that include Infrastructure as a Service (“IaaS”) offerings.

We also offer a variety of integrated solutions, such as:

- Mobility:** We assist our customers with the selection, procurement and integration of mobile security software, hardware devices such as smartphones, tablets and notebooks, and cellular wireless activation systems. We also provide mobile device management applications with policy and security management capabilities across a variety of mobile operating systems and platforms.
- Security:** We assess our customers' security needs and provide them with threat prevention tools in order to protect their networks, servers and applications, such as anti-virus, anti-spam, content filtering, intrusion prevention, firewall and virtual private network services, and network access control. We also design and implement data loss prevention solutions, using data monitoring and encryption across a wide array of devices to ensure the security of customer information, personal employee information and research and development data.
- Data Center Optimization:** We help our customers evaluate their data centers for convergence and optimization opportunities. Our data center optimization solutions consist of server virtualization, physical server consolidation, data storage management and energy-efficient power and cooling systems.
- Cloud Computing:** Cloud computing is a combination of software and computing delivered on demand as a service. We provide SaaS and IaaS solutions that reside in the public cloud, meaning any person or organization interested in porting applications and resources to an external “public” cloud system can do so. Likewise, we provide similar private cloud-based solutions to our customers that prefer to avoid running their infrastructure on a shared public platform but want to obtain the flexibility, scalability and access offered by cloud computing and collaboration.
- Virtualization:** We design and implement server, storage and desktop virtualization solutions. Virtualization enables our customers to efficiently utilize hardware resources by running multiple, independent, virtual operating systems on a single computer and multiple virtual servers simultaneously on a single server. Virtualization also can separate a desktop environment and associated application software from the hardware device that is used to access it, and provides employees with remote desktop access. Our specialists assist customers with the steps of implementing virtualization solutions, including evaluating network environments, deploying shared storage options and licensing

platform software.

- Collaboration: We provide our customers with communication tools that allow employees to share knowledge, ideas and information among each other and with clients and partners effectively and quickly. Our collaboration solutions unite communications and applications via the integration of products that facilitate the use of

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multiple enterprise communication methods including email, instant messaging, presence, social media, voice, video, hardware, software and services. We also host cloud-based collaboration solutions.

While we believe customers increasingly view technology purchases as solutions rather than discrete product and service categories, the following table shows our net sales by major category, based upon our internal category classifications.

	Year Ended December 31, 2013 ⁽¹⁾		Year Ended December 31, 2012 ⁽¹⁾		Year Ended December 31, 2011 ⁽¹⁾	
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales
Notebooks/Mobile Devices	\$ 1,706.0	15.8 %	\$ 1,470.1	14.5 %	\$ 1,336.9	13.9 %
NetComm Products	1,489.1	13.8	1,351.1	13.3	1,237.7	12.9
Enterprise and Data Storage (Including Drives)	998.1	9.3	979.4	9.7	929.9	9.7
Other Hardware	4,173.3	38.8	4,068.8	40.2	3,988.3	41.5
Software	1,994.7	18.5	1,849.4	18.3	1,767.2	18.4
Services	327.1	3.0	284.6	2.8	254.3	2.6
Other ⁽²⁾	80.3	0.8	124.8	1.2	88.1	1.0
Total net sales	\$ 10,768.6	100.0 %	\$ 10,128.2	100.0 %	\$ 9,602.4	100.0 %

(1) Amounts have been reclassified for changes in individual product classifications to conform to the presentation for the year ended December 31, 2013.

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

Our Customers

We provide integrated IT solutions to approximately 250,000 small, medium and large business, government, education and healthcare customers throughout the U.S. and Canada. Sales to the U.S. federal government, which are diversified across multiple agencies and departments, collectively accounted for approximately 7%, 10% and 10% of total net sales in 2013, 2012 and 2011, respectively. However, there are several independent purchasing decision-makers across these agencies and departments. Excluding these sales to the federal government, we are not reliant on any one customer, as our next five largest customers cumulatively comprised approximately 3% of our net sales in 2013.

Inventory Management

We utilize our IT 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 almost 35 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. In addition, in the event of weather-related or other disruptions at one of our distribution centers, we are able to shift order processing and fulfillment from one center to the other quickly and efficiently, enabling us to continue to ship products in a timely manner. 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.

We also have drop-shipment arrangements with many of our OEMs and wholesale distributors, which permit us to offer products to our customers without having to take physical delivery at either of our distribution centers. These arrangements generally represent approximately 40% to 50% of total net sales, including approximately 10% to 15% related to electronic delivery for software licenses.

Information Technology Systems

We maintain customized IT and unified communication systems that enhance our ability to provide prompt, efficient and expert service to our customers. In addition, these systems enable centralized management of key functions, including

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purchasing, inventory management, billing and collection of accounts receivable, sales and distribution. Our systems provide us with thorough, detailed and real-time information regarding key aspects of our business. This capability helps us to continuously enhance productivity, ship customer orders quickly and efficiently, respond appropriately to industry changes and provide high levels of customer service. We believe that our websites, which provide electronic order processing and advanced tools, such as order tracking, reporting and asset management, make it easy for customers to transact business with us and ultimately strengthen our customer relationships.

Product Procurement

We may purchase all or only some of the products that our vendor partners offer for resale to our customers or for inclusion in the solutions we offer. Each vendor partner agreement provides for specific 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 purchase software from major software publishers for resale to our customers or for inclusion in the solutions we offer. Our agreements with software publishers allow the end-user customer to acquire software or licensed products and services.

In addition to purchasing products directly from our vendor partners, we purchase products from wholesale distributors for resale to our customers or for inclusion in the solutions we offer. These wholesale distributors provide logistics management and supply-chain services for us, as well as for our vendor partners. For the year ended December 31, 2013, we purchased 54% of the products we sold as discrete products or as components of a solution directly from our vendor partners and the remaining 46% from wholesale distributors. Purchases from wholesale distributors Tech Data, SYNEX and Ingram Micro represented 11%, 9% and 9%, respectively, of our total purchases. Sales of products manufactured by Apple, Cisco, EMC, Hewlett-Packard, Lenovo and Microsoft, whether purchased directly from these vendor partners or from a wholesale distributor, represented in the aggregate 56% of our net sales in 2013. Sales of products manufactured by Hewlett-Packard and Cisco represented 20% and 14%, respectively, of our 2013 net sales.

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:

- resellers such as Dimension Data, ePlus, Insight Enterprises, PC Connection, PCM, Presidio, Softchoice, World Wide Technology and many smaller resellers;
- manufacturers who sell directly to customers, such as Dell, Hewlett-Packard and Apple;
- large service providers and system integrators, such as IBM, Accenture, Hewlett-Packard and Dell;
- e-tailers such as Amazon, Newegg, and TigerDirect.com;
- cloud providers such as AT&T, Amazon Web Services and Box; and
- retailers (including their e-commerce activities) such as Staples and Office Depot.

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” included elsewhere in this report.

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Marketing

We market the CDW brand to both national and local audiences using a variety of channels that include online, broadcast, print, social and other media. This promotion is supported by integrated communication efforts that target decision-makers, influencers and the general public using a combination of news releases, case studies, media interviews and speaking opportunities. We also market to current and prospective customers through integrated marketing programs that include behaviorally targeted email, print, online media, events and sponsorships, as well as broadcast media.

As a result of our relationships with our vendor partners, a significant portion of our advertising and marketing expenses are reimbursed through cooperative advertising reimbursement programs. These programs are at the discretion of our vendor partners and are typically tied to sales or purchasing volumes or other commitments to be met by us within a specified period of time. We believe that our national scale and analytical techniques that measure the efficacy of our marketing programs differentiate us from our competitors.

Coworkers

As of December 31, 2013, we employed nearly 7,000 coworkers, none of whom is covered by collective bargaining agreements. We consider our coworker relations to be good.

Intellectual Property

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

Sponsors

Madison Dearborn Partners, LLC is a leading private equity investment firm based in Chicago, Illinois that has raised over \$18 billion of equity capital. Since its formation in 1992, it has invested in approximately 125 companies across a broad spectrum of industries, including basic industries, business and government services, consumer, financial and transaction services, healthcare and telecom, media and technology services. Madison Dearborn's objective is to invest in companies in partnership with outstanding management teams to achieve significant long-term appreciation in equity value.

Providence Equity Partners L.L.C. ("Providence") is a leading global private equity firm focused on media, communications, education and information investments. Providence manages funds with \$39 billion of commitments and has invested in more than 130 companies over its 25-year history. Providence is headquartered in Providence, Rhode Island and has offices in New York, London, Hong Kong, Beijing and New Delhi. Providence's objective is to build extraordinary companies that will shape the future of the media, communications, education and information industries.

Item 1A. Risk Factors

There are many factors that affect our business and the results of operations, some of which are beyond our control. The following is a description of some important factors that may cause the actual results of operations in future periods to differ materially from those currently expected or desired.

Risks Related 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, U.S. federal government spending cuts and the impact of new government programs, or a 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.

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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 approximately 7% of 2013 net sales. An adverse change in government spending policies (including ongoing budget cuts at the federal level), 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. For example, in 2013, as a result of sequestration and related budget uncertainty and the partial shutdown of the federal government for 16 days, we experienced significantly reduced Federal sales in our Public segment.

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, 2013, we purchased approximately 54% 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 partner programs and funding, including purchase rebates, sales volume rebates, purchasing incentives 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. A reduction in vendor partner programs or funding or our failure to timely react to changes in vendor partner programs or funding could have an adverse effect on our business, results of operations or cash flows. 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, particularly given our substantial indebtedness.

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 solutions providers 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 2013, products we purchased from distributors Tech Data, SYNEX and Ingram Micro represented 11%, 9% and 9%, respectively, of our total purchases. In addition, sales of Apple, Cisco, EMC, Hewlett-Packard, Lenovo and Microsoft products comprise a substantial portion of our sales, representing approximately 56% of net sales in 2013. Sales of products manufactured by Hewlett-Packard and Cisco represented approximately 20% and 14%, respectively, of our 2013 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.

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 flows.

Our sales are dependent on continued innovations in hardware, software and services offerings by our vendor partners and the competitiveness of their offerings, and our ability to partner with new and emerging technology providers. The technology industry is characterized by rapid innovation and the frequent introduction of new and enhanced hardware, software and services offerings, such as cloud-based solutions, including SaaS, IaaS and Platform as a Service ("PaaS"). 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 and deliver such new offerings to customers, our business, results of operations or cash flows could be adversely affected.

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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. In addition, our success is dependent on our ability to develop relationships with and sell hardware, software and services from new emerging vendors and vendors that we have not historically represented in the marketplace. 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, or we are unable to develop relationships with new technology providers or companies that we have not historically represented, 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:

- resellers, such as Dimension Data, ePlus, Insight Enterprises, PC Connection, PCM, Presidio, Softchoice, World Wide Technology and many smaller resellers;
- manufacturers who sell directly to customers, such as Dell, Hewlett-Packard and Apple;
- large service providers and system integrators, such as IBM, Accenture, Hewlett-Packard and Dell;
- e-tailers, such as Amazon, Newegg and TigerDirect.com;
- cloud providers, such as AT&T, Amazon Web Services and Box; and
- retailers (including their e-commerce activities), such as Staples and Office Depot.

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 instance, technologies that deliver technology solutions as a service, such as cloud-based solutions, could increase the amount of sales directly to customers rather than through solutions providers like us, or could lead to a reduction in our profitability. In addition, some of our hardware and software vendor partners sell, and could intensify their efforts to sell, their products directly to our customers. Moreover, traditional OEMs have increased 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. 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 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, such as our sales, customer management, financial and accounting, marketing, purchasing, warehouse management, e-commerce and mobile systems, as well as our operational platforms, including voice and data networks and power systems. 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, including delivering services and solutions to them;
- 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

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maintain our cost-efficient operating model while scaling our business.

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, malware, phishing, social engineering, unauthorized access and other malicious attacks, both internal and external, and human error, 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 adversely 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 data centers for our customers which host their technology infrastructure and may store and transmit both business-critical data and confidential information. 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, as newer technologies evolve, we could be exposed to increased risk of breaches in security. Breaches in security could expose us, our customers or other individuals to a risk of public disclosure, loss or misuse of this information, resulting in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, 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, termination, 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 of products and services. 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 group purchasing organization ("GPO") or upon default. Furthermore, our inability to enter into or retain contracts with GPOs may threaten our ability to sell to customers in those GPOs and compete. The effect of any of these possible actions 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.

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, partner services and telecom services. Additionally, we deliver and manage mission critical software, systems and network solutions for our customers. 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, this could, among other things, result in legal claims and proceedings and liability. Moreover, as we expand our services and solutions business, we may be exposed to additional operational,

regulatory and other risks. We also could incur liability for failure to comply with the rules and regulations applicable to the new services and solutions we provide to our customers. If any of the foregoing were to occur, our reputation with our customers, our brand 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, engage and retain key personnel to manage and grow our business, including our key executive, management, sales, services and technical coworkers.

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Our future success will depend to a significant extent on the efforts of Thomas E. Richards, our Chairman and Chief Executive Officer, as well as the continued service and support of our other 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 whom 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 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 our supply chain 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, or affecting, any of our suppliers' facilities;
- restrictions on the transfer of funds;
- the financial instability or bankruptcy of manufacturers; and
- 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 or sanctions 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, embargoes, sanctions, 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.

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, inclement weather, natural disasters or other service interruptions by such shippers could adversely affect our ability to deliver products on a timely basis.

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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 uncertainty 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 from time to time 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 or request. 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 business 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.

In addition, our financial results could be adversely affected by financial adjustments required by accounting principles generally accepted in the United States of America ("GAAP") in connection with these types of transactions where significant goodwill or intangible assets are recorded. To the extent the value of goodwill or identifiable intangible assets with indefinite lives becomes impaired, we may be required to incur material charges relating to the impairment of those assets.

Our future operating results may fluctuate significantly.

We may experience significant variations in our future quarterly results of operations. These fluctuations may cause the market price of our common stock to be volatile and 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 general macroeconomic conditions; 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.

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.

We are exposed to risks from legal proceedings and audits.

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

We are subject to intellectual property infringement claims against us in the ordinary course of our business, either because of the products and services we sell or the business systems and processes we use to sell such products and services, 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, but we may

also be subject to suits from inventors, competitors or other patent holders who may seek licensing revenue, lost profits and/or an injunction preventing us from engaging in certain activities, including selling certain products and services.

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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.

We have significant deferred cancellation of debt income.

As a result of a 2009 debt modification, we realized \$395.5 million of cancellation of debt income (“CODI”). We made an election under Code Section 108(i) to defer this CODI from taxable income, pursuant to which we are also required to defer certain original issue discount (“OID”) deductions as they accrue. As of December 31, 2013, we had already deferred approximately \$114.5 million of OID deductions. Starting in 2014, we will be required to include the deferred CODI into taxable income ratably over a five-year period ending in 2018. During this same period, we will also be permitted to benefit from our deferred OID deductions. Because we have more CODI than the aggregate of our deferred and unaccrued OID on the relevant remaining debt instruments, we will have a future cash tax liability associated with our significant deferred CODI. We have reflected the associated cash tax liability in our deferred taxes for financial accounting purposes.

All of our deferred CODI will be accelerated into current taxable income if, prior to 2018, we engage in a so-called “impairment transaction” and the gross value of our assets immediately afterward is less than 110% of the sum of our total liabilities and the tax on the net amount of our deferred CODI and OID (the “110% test”) as determined under the applicable Treasury Regulations. An “impairment transaction” is any transaction that impairs our ability to pay the tax on our deferred CODI, and includes dividends or distributions with respect to our equity and charitable contributions, in each case in a manner that is not consistent with our historical practice within the meaning of the applicable Treasury Regulations.

Prior to 2018, our willingness to pay dividends or make distributions with respect to our equity could be adversely affected if, at the time, we do not meet the 110% test and, as a result, the payment of a dividend or the making of a distribution would accelerate the tax payable with respect to our deferred CODI. We believe that, based on our interpretation of applicable Treasury Regulations, the gross value of our assets exceeds 110% of the sum of our total liabilities and the tax on the net amount of our deferred CODI and OID as of the filing date of this Annual Report on Form 10-K. However, we cannot assure you that this will continue to be true in the future.

Risks Related to Our Indebtedness

We have a substantial amount of indebtedness, which could have important consequences to our business.

We have a substantial amount of indebtedness. As of December 31, 2013, we had \$3.3 billion of total long-term debt outstanding, as defined by GAAP, and \$256.6 million of obligations outstanding under our inventory financing agreements, and the ability to borrow an additional \$641.1 million under our senior secured asset-based revolving credit facility (the “Revolving Loan”). Our substantial indebtedness could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness;
- 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;

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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.

Restrictive covenants under our senior credit facilities and indentures may adversely affect our operations and liquidity.

Our senior credit facilities and our indentures contain, and any future indebtedness of ours may contain, various covenants that limit our ability to, among other things:

- incur or guarantee additional debt;
- 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;
- receive dividends or other payments from our subsidiaries;
- enter into transactions with affiliates;
- create liens;
- 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, repurchase or redeem debt.

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. 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;
- 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 senior subordinated notes due 2017;
- any of which could result in an event of default under the indentures.

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 due 2018. If the lenders under our senior credit facilities or the holders of our senior secured notes due 2018 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 or the ability to 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.

In addition, under our Revolving Loan, we are permitted to borrow an aggregate amount of up to \$900 million; however, our ability to borrow under our Revolving Loan is limited by a borrowing base and a liquidity condition. The borrowing base at any time equals the sum of up to 85% of CDW LLC and its 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 CDW LLC and its 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). The borrowing base in effect as of December 31, 2013 was \$1,065.5 million.

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Our ability to borrow under our Revolving Loan is also limited by a minimum liquidity condition, which provides that, if excess cash availability is less than the lesser of (i) \$90 million or (ii) the greater of (A) 10% of the borrowing base or (B) \$60 million, the lenders are not required to lend any additional amounts under our Revolving Loan unless the consolidated fixed charge coverage ratio (as defined in the credit agreement for our Revolving Loan) is at least 1.0 to 1.0. Moreover, our Revolving Loan 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.

We will be required to generate sufficient cash to service our indebtedness and, if not successful, we may be forced to take other actions to satisfy our obligations under our indebtedness.

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. Our outstanding long-term debt will impose significant cash interest payment obligations on us in 2014 and subsequent years and, accordingly, we will have to generate significant cash flow from operating activities to fund our debt service obligations. 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” included elsewhere in this report.

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 debt or equity capital, restructure or refinance our indebtedness, or revise or delay our strategic plan. 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 satisfy our capital requirements, or that these actions would be permitted under the terms of our existing or future debt agreements, including our senior credit facilities and indentures. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Our senior credit facilities and 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. Furthermore, the Sponsors have no obligation to provide us with debt or equity financing.

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 foreclose against the assets securing the borrowings from them and the lenders under our term loan facility could terminate their commitments to lend us money; and
- we could be forced into bankruptcy or liquidation.

Despite our indebtedness levels, we and our subsidiaries may 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 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 December 31, 2013, we had approximately \$641.1 million available for additional borrowing under our Revolving Loan after taking into account borrowing base limitations (net of \$2.2 million of issued and undrawn letters of credit and \$256.7 million of reserves related to our floorplan sub-facility).

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 December 31, 2013, we had \$1,528.9 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.

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Risks Related to Ownership of Our Common Stock

Our common stock price may be volatile and may decline regardless of our operating performance, and holders of our common stock could lose a significant portion of their investment.

The market price for our common stock may be volatile. Our stockholders may not be able to resell their shares of common stock at or above the price at which they purchased such shares, due to fluctuations in the market price of our common stock, which may be caused by a number of factors, many of which we cannot control, including the risk factors described in this Annual Report on Form 10-K and the following:

- changes in financial estimates by any securities analysts who follow our common stock, our failure to meet these estimates or failure of securities analysts to initiate or maintain coverage of our common stock;
- downgrades by any securities analysts who follow our common stock;
- future sales of our common stock by our officers, directors and significant stockholders, including the Sponsors;
- market conditions or trends in our industry or the economy as a whole;
- investors' perceptions of our prospects;
- announcements by us or our competitors of significant contracts, acquisitions, joint ventures or capital commitments;
- changes in key personnel; and
- our limited public float in light of the Sponsors' beneficial ownership of a majority of our common stock, which may result in the trading of relatively small quantities of shares by our stockholders having a disproportionate positive or negative influence on the market price of our common stock.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, including companies in our industry. In the past, securities class action litigation has followed periods of market volatility. If we were involved in securities litigation, we could incur substantial costs, and our resources and the attention of management could be diverted from our business.

The Sponsors have the ability to control significant corporate activities and their interests may not align with yours. The Sponsors beneficially own approximately 63.7% of our common stock as of February 28, 2014. As a result of their ownership, the Sponsors, so long as they hold a majority of our outstanding common stock, will have the ability to control the outcome of matters submitted to a vote of stockholders and, through our board of directors, the ability to control decision-making with respect to our business direction and policies. Matters over which the Sponsors will, directly or indirectly, exercise control include:

- the election of our board of directors and the appointment and removal of our officers;
- mergers and other business combination transactions, including proposed transactions that would result in our stockholders receiving a premium price for their shares;
- other acquisitions or dispositions of businesses or assets;
- incurrence of indebtedness and the issuance of equity securities;
- repurchase of stock and payment of dividends; and
- the issuance of shares to management under our equity incentive plans.

Even if the Sponsors' ownership of our shares falls below a majority, they may continue to be able to strongly influence or effectively control our decisions. Under our amended and restated certificate of incorporation, the Sponsors and their affiliates do not have any obligation to present to us, and the Sponsors may separately pursue, corporate opportunities of which they become aware, even if those opportunities are ones that we would have pursued if granted the opportunity.

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Future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. As of February 28, 2014, there were 171,954,277 shares of our common stock outstanding. The shares of our common stock sold in our initial public offering and secondary offering in 2013 are freely tradable without restriction under the Securities Act of 1933, as amended (the "Securities Act"), except that any shares of our common stock that may be acquired by our directors, executive officers and other affiliates may be sold only in compliance with certain volume limitations and other restrictions of Rule 144 of the Securities Act.

The remaining shares of our common stock, to the extent not previously sold pursuant to an exemption from registration, will continue to be "restricted shares" within the meaning of Rule 144 of the Securities Act and subject to certain restrictions on resale. Restricted shares may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144 or Rule 701 under the Securities Act.

As of February 28, 2014, approximately 119,000,000 shares of our common stock will continue to have the right to require us to register the sales of their shares under the Securities Act, under the terms of an agreement between us and the holders of these securities.

In the future, we may also issue our securities in connection with investments or acquisitions. The number of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock.

Anti-takeover provisions in our charter documents and Delaware law might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of the Company more difficult without the approval of our board of directors. These provisions: authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of common stock;

establish a classified board of directors so that not all members of our board of directors are elected at one time; generally prohibit stockholder action by written consent, requiring all stockholder actions be taken at a meeting of our stockholders, except that any action required or permitted to be taken by our stockholders may be effected by written consent until such time as the Sponsors cease to beneficially own 50% or more of our common stock;

provide that special meetings of the stockholders can only be called by or at the direction of (i) our board of directors pursuant to a written resolution adopted by the affirmative vote of the majority of the total number of directors that the Company would have if there were no vacancies or (ii) until such time as the Sponsors cease to beneficially own 50% or more of our common stock (a) the chairman or vice chairman of our board of directors, (b) our chief executive officer, (c) a majority of our board of directors through a special resolution or (d) the holders of at least 10% of our common stock;

establish advance notice requirements for nominations for elections to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and

provide that our board of directors is expressly authorized to make, alter or repeal our amended and restated bylaws.

Our amended and restated certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the Delaware General Corporation Law, and will prevent us from engaging in a business combination with a person who acquires at least 15% of our common stock for a period of three years from the date such person acquired such common stock, unless board or stockholder approval is obtained prior to the acquisition.

These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of the Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and to cause us to take other corporate actions our stockholders desire.

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Conflicts of interest may arise because some of our directors are principals of our largest stockholders. Paul Finnegan and Robin Selati, who are principals of Madison Dearborn, and Glenn Creamer and Michael Dominguez, who are managing directors of Providence Equity, serve on our board of directors. As of February 28, 2014, the Sponsors continue to hold a majority of our outstanding common stock. The Sponsors and the entities respectively controlled by them may hold equity interests in entities that directly or indirectly compete with us, and companies in which they currently invest may begin competing with us. As a result of these relationships, when conflicts arise between the interests of Madison Dearborn or Providence Equity, on the one hand, and of other stockholders, on the other hand, these directors may not be disinterested. Although our directors and officers have a duty of loyalty to us under Delaware law and our amended and restated certificate of incorporation, transactions that we enter into in which a director or officer has a conflict of interest are generally permissible so long as (1) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our board of directors and a majority of our disinterested directors approves the transaction, (2) the material facts relating to the director's or officer's relationship or interest as to the transaction are disclosed to our stockholders and a majority of our disinterested stockholders approve the transaction or (3) the transaction is otherwise fair to us. Our amended and restated certificate of incorporation also provides that any principal, officer, member, manager and/or employee of a Sponsor or any entity that controls, is controlled by or under common control with a Sponsor (other than us or any company that is controlled by us) or a Sponsor-managed investment fund will not be required to offer any transaction opportunity of which they become aware to us and could take any such opportunity for themselves or offer it to other companies in which they have an investment, unless such opportunity is offered to them solely in their capacities as our directors.

We cannot assure you that we will continue to pay dividends on our common stock, and our indebtedness and certain tax considerations could limit our ability to continue to pay dividends on our common stock. If we do not continue to pay dividends, you may not receive any return on investment unless you are able to sell your common stock for a price greater than your purchase price.

In each of the fourth quarter of 2013 and the first quarter of 2014, our board of directors declared a quarterly cash dividend of \$0.0425 per share of common stock. We expect to continue to pay a cash dividend on our common stock of \$0.0425 per share per quarter, or \$0.17 per share per annum. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, business prospects, capital requirements, contractual restrictions, including those under our senior credit facilities and indentures, any potential indebtedness we may incur, restrictions imposed by applicable law, tax considerations and other factors our board of directors deems relevant. There can be no assurance that we will continue to pay a dividend at the current rate or at all. Accordingly, if we do not pay dividends in the future, realization of a gain on your investment will depend entirely on the appreciation of the price of our common stock, which may never occur. See “-Risks Related to Our Business-We have significant deferred cancellation of debt income” for a discussion of certain tax considerations that could affect our willingness to pay dividends in the future.

We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.

We are a holding company that does not conduct any business operations of our own. As a result, we are largely dependent upon cash dividends and distributions and other transfers from our subsidiaries to meet our obligations. The agreements governing the indebtedness of our subsidiaries impose restrictions on our subsidiaries' ability to pay dividends or other distributions to us. The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could also limit or impair their ability to pay dividends or other distributions to us.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2013, we owned or leased a total of approximately 2.0 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 the

U.S. and Canada, 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.

Leases

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covering our currently occupied leased properties expire at varying dates, generally within the next ten years. We anticipate no difficulty in retaining occupancy through lease renewals, month-to-month occupancy or replacing the leased properties with equivalent properties. We believe that suitable additional or substitute leased properties will be available as required.

Item 3. Legal Proceedings

We are party to various legal proceedings that arise in the ordinary course of our business, which include commercial, intellectual property, employment, tort and other litigation matters. We are also subject to audit by federal, state and local authorities, and by various 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. 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.

As of December 31, 2013, we do not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, our financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

We previously filed a claim as part of a class action settlement in a case alleging price fixing during the period of January 1, 1996 through December 31, 2006, by certain manufacturers of thin-film liquid crystal display panels. On July 13, 2013, the United States District Court for the Northern District of California approved distribution of the settlement proceeds, including a net payment to us of \$10.4 million after fees and expenses. We have recognized a pre-tax benefit of \$10.4 million within selling and administrative expenses in the consolidated statement of operations for the year ended December 31, 2013. The first of two settlement payments was received by us on July 29, 2013 in the amount of \$8.5 million. The balance of \$1.9 million was received in February 2014.

Item 4. Mine Safety Disclosures

Not applicable.

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Executive Officers

Name	Age	Position
Thomas E. Richards	59	Chairman, President and Chief Executive Officer, and Director
Dennis G. Berger	49	Senior Vice President and Chief Coworker Services Officer
Neal J. Campbell	52	Senior Vice President and Chief Marketing Officer
Christina M. Corley	46	Senior Vice President - Corporate Sales
Douglas E. Eckrote	49	Senior Vice President - Strategic Solutions and Services
Christine A. Leahy	49	Senior Vice President, General Counsel and Corporate Secretary
Christina V. Rother	50	Senior Vice President - Public and Advanced Technology Sales
Jonathan J. Stevens	44	Senior Vice President - Operations and Chief Information Officer
Matthew A. Troka	43	Senior Vice President - Product and Partner Management
Ann E. Ziegler	55	Senior Vice President and Chief Financial Officer

Thomas E. Richards serves as our Chairman, President and Chief Executive Officer, as a member of our board of directors and as a manager of CDW LLC. From October 2011 to December 31, 2012, Mr. Richards served as our Chief Executive Officer. From September 2009 to October 2011, Mr. Richards served as our President and Chief Operating Officer. 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 also has served as Chairman and Chief Executive Officer of Clear Communications Corporation and as Executive Vice President of Ameritech Corporation. He currently serves as a board member of Junior Achievement of Chicago, Rush University Medical Center and the University of Pittsburgh. Mr. Richards is also a member of the Economic Club of Chicago and the Executives' Club of Chicago. 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 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 of Glenwood Academy, Anti-Defamation League of Chicago and Skills for Chicagoland's Future. Mr. Berger is a graduate of Northeastern University where he earned a bachelor's degree and a graduate of John M. Olin School of Business at 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. He currently serves as a board member of TrafficCast and Junior Achievement of Chicago, and is on the Executive Advisory Council of Bradley University.

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.

Christina M. Corley serves as our Senior Vice President of Corporate Sales and is responsible for managing all aspects of our corporate sales force, including sales force strategy, structure, goals, operations, revenue generation and training and development. Prior to joining CDW in September 2011, Ms. Corley served as President and Chief Operating Officer of Zones, Inc., a provider of IT products and solutions, from 2006 to 2011. She served as Executive Vice President of Purchasing

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and Operations for Zones, Inc. from April 2005 to October 2006. She served as President of Corporate PC Source (“CPCS”), a wholly owned subsidiary of Zones, Inc., from March 2003 to April 2005. Prior to its acquisition by Zones, Inc., Ms. Corley served as Chief Executive Officer of CPCS from 1999 to 2003. Ms. Corley began her career in sales and marketing, holding various positions at IBM, Dataflex and VisionTek. She currently serves as a board member of the Boys and Girls Club of Chicago. Ms. Corley is a graduate of the University of Illinois at Urbana-Champaign where she earned a bachelor’s degree and a graduate of Northwestern University’s Kellogg School of Management where she earned a Master of Business Administration in management and strategy.

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 of 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 of the Center for Enriched Living from 2002-2011, serving as Vice President from 2004-2005, President from 2006-2008, board emeritus from 2009-2011 and currently serves as a trustee. 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.

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.

Christina V. Rother serves as our Senior Vice President of Public and Advanced Technology Sales and is responsible for managing all aspects of our public sector and advanced technology sales forces, including sales force strategy, structure, goals, operations, 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. Beginning in 2006, Ms. Rother has held various positions ranging from Group Vice President of CDW Government LLC, President of CDW Government LLC and Senior Vice President of Sales. In September 2011, Ms. Rother assumed her current role as Senior Vice President of Public and Advanced Technology Sales. Prior to joining CDW, Ms. Rother held a number of sales positions with technology companies including Laser Computers and Price Electronics. Ms. Rother currently serves as chair of the board of directors of 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.

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. He currently serves on the board of directors of SingleWire Software, LLC and Northeast Illinois Council: Boy Scouts of America. Mr. Stevens is a graduate of the University of Dayton where he 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.

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Mr. Troka serves as a member of the board of directors of Encompass Championship Charities. Mr. Troka is a graduate of the University of Illinois where he earned a bachelor's degree.

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 board of directors of Hanesbrands, Inc. 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.

PART II

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

Market Information

Our common stock has been listed on the NASDAQ Global Select Market since June 27, 2013 under the symbol "CDW." Prior to that date, there was no public market for our common stock. Shares sold in our initial public offering ("IPO") were priced at \$17.00 per share on June 26, 2013. The following table sets forth the ranges of high and low sales prices per share of our common stock as reported on the NASDAQ Global Select Market for the periods indicated.

Year ended December 31, 2013	High	Low
Second quarter (beginning June 27, 2013).....	\$19.17	\$17.38
Third quarter.....	\$24.51	\$18.26
Fourth quarter.....	\$23.56	\$20.50

Holders

As of February 28, 2014, there were 143 holders of record of our common stock. The number of beneficial stockholders is substantially greater than the number of holders of record because a portion of our common stock is held through brokerage firms.

Dividends

We expect to continue to pay a quarterly cash dividend on our common stock of \$0.0425 per share, or \$0.17 per annum. The initial quarterly cash dividend of \$0.0425 per share was paid on December 2, 2013 to all common stockholders of record as of the close of business on November 15, 2013. On February 13, 2014, we announced that our board of directors declared a quarterly cash dividend on our common stock of \$0.0425 per share. The dividend will be paid on March 10, 2014 to all stockholders of record as of the close of business on February 25, 2014. The payment of dividends in quarters beyond the first quarter of 2014 remains at the discretion of our board of directors and will depend upon our results of operations, financial condition, business prospects, capital requirements, contractual restrictions, any potential indebtedness we may incur, restrictions imposed by applicable law, tax considerations and other factors that our board of directors deems relevant. In addition, our ability to pay dividends on our common stock will be limited by restrictions on our ability to pay dividends or make distributions to our stockholders and on the ability of our subsidiaries to pay dividends or make distributions to us, in each case, under the terms of our current and any future agreements governing our indebtedness. For a discussion of our cash resources and needs and restrictions on our ability to pay dividends, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" included elsewhere in this report. For additional discussion of restrictions on our ability to pay dividends, see Note 7 "Long-Term Debt", to the accompanying audited consolidated financial statements included elsewhere in this report.

Stock Performance Graph

The information contained in this Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that CDW specifically incorporates it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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The following graph compares the cumulative total shareholder return, calculated on a dividend reinvested basis, on \$100.00 invested at the opening of the market on June 27, 2013, the date our common stock first traded on the NASDAQ Global Select Market, through and including the market close on December 31, 2013, with the cumulative total return for the same time period of the same amount invested in the S&P MidCap 400 index and a peer group index. The Company's peer group index for 2013 consists of the following companies: Accenture plc, Anixter International, Inc., Arrow Electronics, Inc., Avnet, Inc., CGI Group Inc., Genuine Parts Company, Henry Schein, Inc., Insight Enterprises, Inc., Owens & Minor, Inc., Patterson Companies, Inc., SYNEX Corporation, United Stationers Inc., W.W. Grainger, Inc. and Wesco International, Inc. This peer group was selected based on a review of publicly available information about these companies and the Company's determination that they met one or more of the following criteria: (i) similar size in terms of revenue and/or enterprise value (one-third to three times the Company's revenue or enterprise value); (ii) operates in a business-to-business distribution environment; (iii) members of the technology industry; (iv) similar customers (i.e., business, government, healthcare, and education); (v) companies that provide services and/or solutions; and (vi) similar EBITDA and gross margins.

Shareholder returns over the indicated period are based on historical data and should not be considered indicative of future shareholder returns.

	June 27, 2013	December 31, 2013
CDW Corp	\$100	\$138
S&P MidCap 400 index	100	118
CDW Peers	100	113

Use of Proceeds from Registered Securities

On July 2, 2013, the Company completed an IPO of its common stock in which it issued and sold 23,250,000 shares of common stock. On July 31, 2013, the Company completed the sale of an additional 3,487,500 shares of common stock to the underwriters of the IPO pursuant to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO. Such shares were registered under the Securities Act of 1933, as amended, pursuant to the Company's Registration Statement on Form S-1 (File 333-187472), which was declared effective by the SEC on June 26, 2013.

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The shares of common stock are listed on the NASDAQ Global Select Market under the symbol “CDW.” The Company's shares of common stock were sold to the underwriters at a price of \$17.00 per share in the IPO and upon the exercise of the overallotment option, which together, generated aggregate net proceeds of \$424.7 million to the Company after deducting \$29.8 million in underwriting discounts, expenses and transaction costs. Using a portion of the net proceeds from the IPO (exclusive of proceeds from the exercise of the overallotment option), the Company paid a \$24.4 million termination fee to affiliates of Madison Dearborn Partners, LLC and Providence Equity Partners, L.L.C. in connection with the termination of the management services agreement with such entities that was effective upon completion of the IPO, redeemed \$175.0 million aggregate principal amount of senior secured notes due 2018, and redeemed \$146.0 million aggregate principal amount of senior subordinated notes due 2017. The redemption price of the senior secured notes due 2018 was 108.0% of the principal amount redeemed, plus accrued and unpaid interest to the date of redemption. The Company used cash on hand to pay such accrued and unpaid interest. The redemption price of the senior subordinated notes due 2017 was 106.268% of the principal amount redeemed, plus accrued and unpaid interest to the date of redemption. The Company used cash on hand to pay such accrued and unpaid interest. On October 18, 2013, proceeds from the overallotment option exercise of \$56.0 million and cash on hand were used to redeem \$155.0 million aggregate principal amount of senior subordinated notes due 2017. The redemption price of the senior subordinated notes due 2017 was 104.178% of the principal amount redeemed, plus accrued and unpaid interest to the date of redemption. The Company used cash on hand to pay such redemption premium and accrued and unpaid interest.

J.P. Morgan Securities LLC, Barclays Capital Inc. and Goldman, Sachs & Co. acted as joint book-running managers of the IPO and as representatives of the underwriters. Deutsche Bank Securities Inc. and Morgan Stanley & Co. LLC acted as additional book-running managers in the IPO. Robert W. Baird & Co. Incorporated, Raymond James & Associates, Inc., William Blair & Company, L.L.C., Needham & Company, LLC, Stifel, Nicolaus & Company, Incorporated, Loop Capital Markets LLC and The Williams Capital Group, L.P. acted as managing underwriters in the IPO.

Item 6. Selected Financial Data

The selected financial 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” and our audited consolidated financial statements and the related notes included elsewhere in this report.

We have derived the selected financial data presented below as of December 31, 2013 and December 31, 2012 and for the years ended December 31, 2013, 2012, and 2011 from our audited consolidated financial statements and related notes, which are included elsewhere in this report. The selected financial data as of December 31, 2010 and December 31, 2009 have been derived from our audited consolidated financial statements as of and for those periods, which are not included in this report.

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

• During the year ended December 31, 2013, we recorded IPO- and secondary-offering related expenses of \$75.0 million.

• During the years ended December 31, 2013, 2012, and 2011, we recorded net losses on extinguishments of long-term debt of \$64.0 million, \$17.2 million, and \$118.9 million, respectively. The losses represented the difference between the amount paid upon extinguishment, including call premiums and expenses paid to the debt holders and agents, and the net carrying amount of the extinguished debt, adjusted for a portion of the unamortized deferred financing costs.

• During the year ended December 31, 2009, we recorded goodwill impairment charges of \$241.8 million. This impairment was primarily attributable to deterioration in macroeconomic conditions and overall declines in net sales.

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	Years Ended December 31,					
(dollars and shares in millions, except per share amounts)	2013	2012	2011	2010	2009	
Statement of Operations Data:						
Net sales	\$ 10,768.6	\$ 10,128.2	\$ 9,602.4	\$ 8,801.2	\$ 7,162.6	
Cost of sales	9,008.3	8,458.6	8,018.9	7,410.4	6,029.7	
Gross profit	1,760.3	1,669.6	1,583.5	1,390.8	1,132.9	
Selling and administrative expenses	1,120.9	1,029.5	990.1	932.1	821.1	
Advertising expense	130.8	129.5	122.7	106.0	101.9	
Goodwill impairment	—	—	—	—	241.8	
Income (loss) from operations	508.6	510.6	470.7	352.7	(31.9)	
Interest expense, net	(250.1)	(307.4)	(324.2)	(391.9)	(431.7)	
Net (loss) gain on extinguishments of long-term debt	(64.0)	(17.2)	(118.9)	2.0	—	
Other income, net	1.0	0.1	0.7	0.2	2.4	
Income (loss) before income taxes	195.5	186.1	28.3	(37.0)	(461.2)	
Income tax (expense) benefit	(62.7)	(67.1)	(11.2)	7.8	87.8	
Net income (loss)	\$ 132.8	\$ 119.0	\$ 17.1	\$ (29.2)	\$ (373.4)	
Net income (loss) per common share:						
Basic	\$0.85	\$0.82	\$0.12	\$(0.20)	\$(2.60)	
Diluted	\$0.84	\$0.82	\$0.12	\$(0.20)	\$(2.60)	
Weighted-average common shares outstanding:						
Basic	156.6	145.1	144.8	144.4	143.8	
Diluted	158.7	145.8	144.9	144.4	143.8	
Balance Sheet Data (at period end):						
Cash and cash equivalents	\$ 188.1	\$ 37.9	\$ 99.9	\$ 36.6	\$ 88.0	
Working capital	810.9	666.5	538.1	675.4	923.2	
Total assets	5,924.6	5,720.0	5,967.7	5,943.8	5,976.0	
Total debt and capitalized lease obligations ⁽¹⁾	3,251.2	3,771.0	4,066.0	4,290.0	4,621.9	
Total shareholders' equity (deficit)	711.7	136.5	(7.3)	(43.5)	(44.7)	
Other Financial Data:						
Capital expenditures	\$47.1	\$41.4	\$45.7	\$41.5	\$ 15.6	
Depreciation and amortization	208.2	210.2	204.9	209.4	218.2	
Gross profit as a percentage of net sales	16.3	% 16.5	% 16.5	% 15.8	% 15.8	%
Ratio of earnings to fixed charges ⁽²⁾	1.8	1.6	1.1	(a)	(a)	
EBITDA ⁽³⁾	\$653.8	\$703.7	\$557.4	\$564.3	\$ 188.7	
Adjusted EBITDA ⁽³⁾	808.5	766.6	717.3	601.8	465.4	
Non-GAAP net income (loss) ⁽⁴⁾	314.3	247.1	198.8	85.7	(14.5)	
Statement of Cash Flows Data:						
Net cash provided by (used in):						
Operating activities	\$366.3	\$317.4	\$214.7	\$423.7	\$ 107.6	
Investing activities	(47.1)	(41.7)	(56.0)	(125.4)	(82.6)	
Financing activities	(168.3)	(338.0)	(95.4)	(350.1)	(31.9)	

(1) Excludes borrowings of \$256.6 million, \$249.2 million, \$278.7 million, \$28.2 million and \$25.0 million, as of December 31, 2013, 2012, 2011, 2010 and 2009, 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.

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For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings before income taxes (2) minus income from equity investees plus fixed charges. Fixed charges consist of interest expense and the portion of rental expense we believe is representative of the interest component of rental expense.

(a) For the years ended December 31, 2010 and 2009, earnings available for fixed charges were inadequate to cover fixed charges by \$37.0 million and \$461.2 million, respectively.

EBITDA is defined as consolidated net income (loss) before interest expense, income tax expense (benefit), depreciation, and amortization. Adjusted EBITDA, which is a measure defined in our credit agreements, 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 income 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; and (j) 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. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. 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. The following unaudited table sets forth reconciliations of net income (loss) to EBITDA and EBITDA to Adjusted EBITDA for the periods presented:

(in millions)	Years Ended December 31,				
	2013	2012	2011	2010	2009
Net income (loss)	\$132.8	\$119.0	\$17.1	\$(29.2)	\$(373.4)
Depreciation and amortization	208.2	210.2	204.9	209.4	218.2
Income tax expense (benefit)	62.7	67.1	11.2	(7.8)	(87.8)
Interest expense, net	250.1	307.4	324.2	391.9	431.7
EBITDA	653.8	703.7	557.4	564.3	188.7
Non-cash equity-based compensation	8.6	22.1	19.5	11.5	15.9
Sponsor fees	2.5	5.0	5.0	5.0	5.0
Consulting and debt-related professional fees	0.1	0.6	5.1	15.1	14.1
Goodwill impairment	—	—	—	—	241.8
Net loss (gain) on extinguishments of long-term debt	64.0	17.2	118.9	(2.0)	—
Litigation, net ⁽ⁱ⁾	(4.1)	4.3	—	—	—
IPO- and secondary-offering related expenses	75.0	—	—	—	—
Other adjustments ⁽ⁱⁱ⁾	8.6	13.7	11.4	7.9	(0.1)
Adjusted EBITDA	\$808.5	\$766.6	\$717.3	\$601.8	\$465.4

(i) Relates to unusual, non-recurring litigation matters.

(ii) Includes certain retention costs and equity investment income, certain severance costs in 2009 and a gain related to the sale of the Informacast software and equipment in 2009.

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

(in millions)	Years Ended December 31,					
	2013	2012	2011	2010	2009	
EBITDA	\$653.8	\$703.7	\$557.4	\$564.3	\$188.7	
Depreciation and amortization	(208.2	) (210.2	) (204.9	) (209.4	) (218.2)
Income tax (expense) benefit	(62.7	) (67.1	) (11.2	) 7.8	87.8	
Interest expense, net	(250.1	) (307.4	) (324.2	) (391.9	) (431.7)
Net income (loss)	132.8	119.0	17.1	(29.2	) (373.4)
Depreciation and amortization	208.2	210.2	204.9	209.4	218.2	
Goodwill impairment	—	—	—	—	241.8	
Equity-based compensation expense	46.6	22.1	19.5	11.5	15.9	
Amortization of deferred financing costs, debt premium, and debt discount, net	8.8	13.6	15.7	18.0	16.2	
Deferred income taxes	(48.7	) (56.3	) (10.2	) (4.3	) (94.4)
Allowance for doubtful accounts	—	—	0.4	(1.3	) (0.2)
Realized loss on interest rate swap agreements	—	—	2.8	51.5	103.2	
Mark to market loss on interest rate derivatives	0.1	0.9	4.2	4.7	—	
Net loss (gain) on extinguishments of long-term debt	64.0	17.2	118.9	(2.0) —	
Net loss (gain) on sale and disposal of assets	—	0.1	0.3	0.7	(1.7)
Changes in assets and liabilities	(47.1	) (9.4	) (158.3	) 165.3	(18.0)
Other non-cash items	1.6	—	(0.6) (0.6) —	
Net cash provided by operating activities	\$366.3	\$317.4	\$214.7	\$423.7	\$107.6	

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Non-GAAP net income (loss) is considered a non-GAAP financial measure. 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. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. We believe that (4) non-GAAP net income (loss) provides meaningful information regarding our operating performance and our prospects for the future. This supplemental measure excludes, among other things, charges related to the amortization of Acquisition-related intangibles, non-cash equity-based compensation and gains and losses from the early extinguishment of debt. The following unaudited table sets forth a reconciliation of net income (loss) to non-GAAP net income (loss) for the periods presented:

(in millions)	Years Ended December 31,				
	2013	2012	2011	2010	2009
Net income (loss)	\$ 132.8	\$ 119.0	\$ 17.1	\$(29.2)	\$(373.4)
Amortization of intangibles (i)	161.2	163.7	165.7	166.8	168.9
Non-cash equity-based compensation	8.6	22.1	19.5	11.5	15.9
Litigation, net (ii)	(6.3)) —	—	—	—
Net loss on extinguishments of long-term debt	64.0	17.2	118.9	(2.0)) —
Interest expense adjustment related to extinguishments of long-term debt (iii)	(7.5)	) (3.3)	) (19.4)	) (0.7)) —
IPO- and secondary-offering related expenses (iv)	75.0	—	—	—	—
Debt-related refinancing costs (v)	—	—	3.8	5.6	—
Goodwill impairment	—	—	—	—	241.8
Severance expense	—	—	—	—	1.4
Aggregate adjustment for income taxes (vi)	(113.5)	) (71.6)	) (106.8)	) (66.3)	) (69.1)
Non-GAAP net income (loss)	\$ 314.3	\$ 247.1	\$ 198.8	\$ 85.7	\$(14.5)

(i) Includes amortization expense for Acquisition-related intangible assets, primarily customer relationships and trade names.

(ii) Relates to unusual, non-recurring litigation matters.

(iii) Reflects adjustments to interest expense resulting from debt extinguishments. Represents the difference between interest expense previously recognized under the effective interest method and actual interest paid.

(iv) IPO- and secondary-offering related expenses consist of the following:

(in millions)	Year Ended December 31, 2013
Acceleration charge for certain equity awards and related employer payroll taxes	\$ 40.7
RDU Plan cash retention pool accrual	7.5
Management services agreement termination fee	24.4
Other expenses	2.4
IPO- and secondary-offering related expenses	\$ 75.0

(v) Represents fees and costs expensed related to the December 2010 and March 2011 amendments to our prior senior secured term loan facility.

(vi) Based on a normalized effective tax rate of 39.0%.

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

Unless otherwise indicated or the context otherwise requires, as used in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the terms “we,” “us,” “the Company,” “our,” “CDW” and similar terms refer to CDW Corporation and its subsidiaries. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” should be read in conjunction with the audited consolidated financial statements and the related notes included elsewhere in this report. This discussion contains forward-looking statements that are subject to numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements. See “Forward-Looking Statements” above.

Overview

CDW is a Fortune 500 company and a leading provider of integrated information technology (“IT”) solutions in the U.S. and Canada. We help our customer base of approximately 250,000 small, medium and large business, government, education and healthcare customers by delivering critical solutions to their increasingly complex IT needs. Our broad array of offerings ranges from discrete hardware and software products to integrated IT solutions such as mobility, security, data center optimization, cloud computing, virtualization and collaboration. We are technology “agnostic,” with a product portfolio that includes more than 100,000 products from more than 1,000 brands. We provide our products and solutions through sales force and service delivery teams consisting of more than 4,400 coworkers, including nearly 1,800 field sellers, highly-skilled technology specialists and advanced service delivery engineers. We are a leading U.S. sales channel partner for many original equipment manufacturers (“OEMs”) and software publishers (collectively, our “vendor partners”), whose products we sell or include in the solutions we offer. We believe we are an important extension of our vendor partners' sales and marketing capabilities, providing them with a cost-effective way to reach customers and deliver a consistent brand experience through our established end-market coverage and extensive customer access.

We have two reportable segments: Corporate, which is comprised primarily of private sector business customers, and Public, which is comprised of government agencies and education and healthcare institutions. Our Corporate segment is divided into a medium/large business customer channel, primarily serving customers with more than 100 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 technology specialists and engineers, and managed services that include Infrastructure as a Service (“IaaS”) offerings. Revenues from the sale of hardware, software, custom configuration and third-party provided services are recorded within our Corporate and Public segments. We may sell all or only select products that our vendor partners offer. Each vendor partner agreement provides for specific 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 resell software for major software publishers. Our agreements with software publishers allow the end-user customer to acquire software or licensed products and services. In addition to helping our customers determine the best software solutions for their needs, we help them manage their software agreements, including warranties and renewals. A significant portion of our advertising and marketing expenses is reimbursed through cooperative advertising reimbursement programs with our vendor partners. These programs are at the discretion of our vendor partners and are typically tied to sales or purchasing volumes or other commitments to be met by us within a specified period of time.

Trends and Key Factors Affecting our Financial Performance

We believe the following trends may have an important impact on our financial performance:

Our Public segment sales are impacted by government spending policies, budget priorities and revenue levels. 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. Although our sales to the federal government are diversified across multiple agencies and departments, they collectively accounted for approximately 7%, 10% and 10% of our net sales for the years ended December 31, 2013,

2012 and 2011, respectively. Second half 2013 Public segment results were negatively impacted by federal government budget uncertainty, sequestration and the partial shutdown of the federal government for 16 days.

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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. In the second quarter of 2012, we began to see customers take a more cautious approach to spending as increased macroeconomic uncertainty impacted decision-making and led to some customers delaying purchases. As we moved through 2013, we saw improvements in operating results for certain sales channels. We will continue to closely monitor macroeconomic conditions during 2014. Uncertainties related to potential reductions in government spending, requirements associated with implementation of the Affordable Care Act, potential changes in tax and regulatory policy, weakening consumer and business confidence or increased unemployment could result in reduced or deferred spending on information technology products and services by our customers and result in increased competitive pricing pressures.

We believe that our customers' transition to more complex technology solutions will continue to be an important growth area for us in the future. However, because the market for technology products and services is highly competitive, our success at capitalizing on this transition will be based on our ability to tailor specific solutions to customer needs, the quality and breadth of our product and service offerings, the knowledge and expertise of our sales force, price, product availability and speed of delivery.

2013 Initial Public Offering

On July 2, 2013, we completed an initial public offering ("IPO") of 23,250,000 shares of common stock. On July 31, 2013, we completed the sale of an additional 3,487,500 shares of common stock to the underwriters of the IPO pursuant to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO. Our shares of common stock were sold to the underwriters at a price of \$17.00 per share in the IPO and upon the exercise of the overallotment option, which together, generated aggregate net proceeds of \$424.7 million to the Company after deducting underwriting discounts, expenses and transaction costs.

On November 19, 2013, we completed a secondary public offering, whereby certain selling stockholders sold 15,000,000 shares of common stock. On December 18, 2013, such selling stockholders sold an additional 2,250,000 shares of common stock to the underwriters of the secondary public offering pursuant to the underwriters' December 13, 2013 exercise in full of the overallotment option granted to them in connection with the secondary public offering. We did not receive any proceeds from the sale of shares in the secondary public offering or upon the exercise of the overallotment option.

The consolidated statement of operations for the year ended December 31, 2013 included pre-tax IPO- and secondary-offering related expenses of \$75.0 million. See Note 9 of the accompanying audited consolidated financial statements for additional discussion of our IPO and secondary offering.

Key Business Metrics

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, net income, Non-GAAP net income, net income per common share, Non-GAAP net income per diluted share, EBITDA and Adjusted EBITDA, return on invested capital, 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, based on a rolling three-month average), 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. Non-GAAP net income and Adjusted EBITDA are non-GAAP financial measures. We believe these measures provide helpful information with respect to the company's operating performance and cash flows including our ability to meet our future debt service, capital expenditures, dividend payments, 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 Financial Data" included elsewhere in this report for the definitions of Non-GAAP net income and Adjusted EBITDA and reconciliations to net income.

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The results of certain key business metrics are as follows:

(dollars in millions)	Years Ended December 31,		
	2013	2012	2011
Net sales	\$10,768.6	\$10,128.2	\$9,602.4
Gross profit	1,760.3	1,669.6	1,583.5
Income from operations	508.6	510.6	470.7
Net income	132.8	119.0	17.1
Non-GAAP net income	314.3	247.1	198.8
Adjusted EBITDA	808.5	766.6	717.3
Average daily sales	42.4	39.9	37.7
Net debt (defined as total debt minus cash and cash equivalents)	3,063.1	3,733.1	3,966.1
Cash conversion cycle (in days) ⁽¹⁾	24	24	28

(1) Cash conversion cycle is defined as days of sales outstanding in accounts receivable plus days of supply in inventory minus days of purchases outstanding in accounts payable, based on a rolling three-month average.

Results of Operations

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

The following table presents our results of operations, in dollars and as a percentage of net sales, for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013		Year Ended December 31, 2012		
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales	
Net sales	\$10,768.6	100.0	% \$10,128.2	100.0	%
Cost of sales	9,008.3	83.7	8,458.6	83.5	
Gross profit	1,760.3	16.3	1,669.6	16.5	
Selling and administrative expenses	1,120.9	10.4	1,029.5	10.2	
Advertising expense	130.8	1.2	129.5	1.3	
Income from operations	508.6	4.7	510.6	5.0	
Interest expense, net	(250.1	) (2.3	) (307.4	) (3.0)
Net loss on extinguishments of long-term debt	(64.0	) (0.6	) (17.2	) (0.2)
Other income, net	1.0	—	0.1	—	
Income before income taxes	195.5	1.8	186.1	1.8	
Income tax expense	(62.7) (0.6) (67.1) (0.7)
Net income	\$132.8	1.2	% \$119.0	1.1	%

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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, 2013 and 2012:

	Years Ended December 31,				Dollar Change	Percent Change ⁽¹⁾
	2013	2012	Dollars in Millions	Percentage of Total Net Sales		
Corporate	\$5,960.1	55.3	% \$5,512.8	54.4	% \$447.3	8.1
Public	4,164.5	38.7	4,023.0	39.7	141.5	3.5
Other	644.0	6.0	592.4	5.9	51.6	8.7
Total net sales	\$10,768.6	100.0	% \$10,128.2	100.0	% \$640.4	6.3

(1) There were 254 selling days in both the years ended December 31, 2013 and 2012.

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, 2013 and 2012:

(dollars in millions)	Years Ended December 31,		Dollar Change	Percent Change
	2013	2012		
Corporate:				
Medium / Large	\$4,902.6	\$4,448.5	\$454.1	10.2
Small Business	1,057.5	1,064.3	(6.8)	(0.6)
Total Corporate	\$5,960.1	\$5,512.8	\$447.3	8.1
Public:				
Government	\$1,250.6	\$1,394.1	\$(143.5)	(10.3)
Education	1,449.0	1,192.3	256.7	21.5
Healthcare	1,464.9	1,436.6	28.3	2.0
Total Public	\$4,164.5	\$4,023.0	\$141.5	3.5

Total net sales in 2013 increased \$640.4 million, or 6.3%, to \$10,768.6 million, compared to \$10,128.2 million in 2012. There were 254 selling days for both the years ended December 31, 2013 and 2012. The increase in total net sales was primarily the result of growth in hardware and software, a more tenured sales force, a continued focus on seller productivity across all areas of the organization and the addition of nearly 120 customer-facing coworkers, the majority in pre- and post-sale technical positions such as technical specialists and service delivery roles. Our total net sales growth for the year ended December 31, 2013 reflected growth in notebooks/mobile devices, netcomm products and software. Software gains were driven by growth in security, document management software and network management software, partially offset by a decline in application suites.

Corporate segment net sales in 2013 increased \$447.3 million, or 8.1%, compared to 2012, driven by sales growth in the medium/large customer channel. Within our Corporate segment, net sales to medium/large customers increased 10.2% between years primarily due to certain of these customers increasing their IT spending, a more tenured sales force, a continued focus on seller productivity and additional customer-facing coworkers, the majority in pre- and post-sale technical positions such as technical specialists and service delivery roles. This increase was led by unit volume growth in netcomm products and growth in notebooks/mobile devices and software. Partially offsetting the growth in the medium/large customer channel was a 0.6% decline in net sales to small business customers, due to certain of these customers taking a more cautious approach to spending as macroeconomic and regulatory uncertainty impacted decision-making. This decrease was led by unit volume declines in notebooks/mobile devices, partially offset by growth in netcomm products.

Public segment net sales in 2013 increased \$141.5 million, or 3.5%, between years, driven by strong performance in the education customer channel. Net sales to education customers increased \$256.7 million, or 21.5%, between years, led by growth in net sales to K-12 customers, reflecting increased sales of notebooks/mobile devices to support new standardized digital testing requirements that will take effect in 2014. Net sales to government customers decreased

\$143.5 million, or

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10.3%, in 2013 compared to 2012 due to reductions and delays in federal government spending following sequestration, uncertainty over future budget negotiations and the partial shutdown of the federal government. The government customer channel net sales decline was led by decreases in sales of enterprise storage and notebooks/mobile devices, partially offset by growth in software. Net sales to healthcare customers increased \$28.3 million, or 2.0%, between years, driven by growth in notebooks/mobile devices and desktop computers.

Gross profit

Gross profit increased \$90.7 million, or 5.4%, to \$1,760.3 million in 2013, compared to \$1,669.6 million in 2012. As a percentage of total net sales, gross profit decreased 20 basis points to 16.3% in 2013, down from 16.5% in 2012.

Gross profit margin was negatively impacted 30 basis points by unfavorable price/mix changes within product margin, as we experienced product margin compression in transactional product categories such as desktops and notebooks.

Partially offsetting this decrease was an increase of 10 basis points due to a higher mix of net service contract revenue.

Net service contract revenue, including items such as third-party services and warranties, 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 net sales, resulting in net sales being equal to the gross profit on the transaction.

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 \$91.4 million, or 8.9%, to \$1,120.9 million in 2013, compared to \$1,029.5 million in 2012. As a percentage of total net sales, selling and administrative expenses increased 20 basis points to 10.4% in 2013, up from 10.2% in 2012. Sales payroll, including sales commissions and other variable compensation costs, increased \$28.9 million, or 6.4%, between years, consistent with higher sales and gross profit.

Additionally, selling and administrative expenses for 2013 included IPO- and secondary-offering related expenses of \$75.0 million, as follows:

Pre-tax charges of \$36.7 million related to the acceleration of the expense recognition for certain equity awards and \$4.0 million for the related employer payroll taxes. See Note 10 of the accompanying audited consolidated financial statements for additional discussion of the impact of the IPO on our equity awards.

- A pre-tax charge of \$24.4 million related to the payment of a termination fee to affiliates of the Sponsors in connection with the termination of the management services agreement with such entities.

A pre-tax charge of \$7.5 million related to compensation expense in connection with the Restricted Debt Unit Plan. See Note 12 of the accompanying audited consolidated financial statements for additional discussion of this charge.

Other IPO- and secondary-offering related expenses of \$2.4 million.

We did not record any IPO- or secondary-offering related expenses during 2012. Partially offsetting these increases in 2013, was the favorable resolution of a class action legal proceeding in which we were a claimant, which reduced selling and administrative expenses by \$10.4 million in 2013 compared to 2012. Total coworker count increased by 163 coworkers, from 6,804 at December 31, 2012, to 6,967 at December 31, 2013.

Advertising expense

Advertising expense increased \$1.3 million, or 0.9%, to \$130.8 million in 2013, compared to \$129.5 million in 2012. As a percentage of net sales, advertising expense was 1.2% in 2013, compared to 1.3% in 2012. The dollar increase in advertising expense was due to a continued focus on advertising our solutions and products, which reinforces our reputation as a leading IT solutions provider.

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Income 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, 2013 and 2012:

	Year Ended December 31, 2013		Year Ended December 31, 2012		Percent Change in Income (Loss) from Operations	
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage		
Segments: ⁽¹⁾						
Corporate	\$ 363.3	6.1 %	\$ 349.0	6.3 %	4.1	%
Public	246.5	5.9	246.7	6.1	(0.1))
Other	27.2	4.2	18.6	3.1	46.3	
Headquarters ⁽²⁾	(128.4)	nm*	(103.7)	nm*	(23.8))
Total income from operations	\$ 508.6	4.7 %	\$ 510.6	5.0 %	(0.4))%

* Not meaningful

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

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

Income from operations was \$508.6 million in 2013, a decrease of \$2.0 million, or 0.4%, compared to \$510.6 million in 2012. The decrease in income from operations was driven by higher selling and administrative expenses primarily resulting from \$75.0 million of IPO- and secondary-offering related expenses recorded during 2013, mostly offset by higher net sales and gross profit. Total operating margin percentage decreased 30 basis points to 4.7% in 2013, from 5.0% in 2012. Operating margin percentage was negatively impacted by the increase in selling and administrative expenses as a percentage of net sales and gross profit margin compression, partially offset by a decrease in advertising expense as a percentage of net sales.

Corporate segment income from operations was \$363.3 million in 2013, an increase of \$14.3 million, or 4.1%, compared to \$349.0 million in 2012. Corporate segment operating margin percentage decreased 20 basis points to 6.1% in 2013, from 6.3% in 2012. Results for 2013 included \$26.4 million of IPO- and secondary-offering related expenses, which reduced Corporate segment operating margin by 40 basis points. Higher sales and gross profit dollars offset the effect of IPO- and secondary-offering related expenses on income from operations for 2013.

Public segment income from operations was \$246.5 million in 2013, a decrease of \$0.2 million, or 0.1%, compared to \$246.7 million in 2012. Public segment operating margin percentage decreased 20 basis points to 5.9% in 2013, from 6.1% in 2012. Results for 2013 included \$14.4 million of IPO- and secondary-offering related expenses, which reduced Public segment operating margin by 30 basis points. Higher sales and gross profit dollars nearly offset the effect of IPO- and secondary-offering related expenses on income from operations for 2013.

Interest expense, net

At December 31, 2013, our outstanding long-term debt totaled \$3,251.2 million, compared to \$3,771.0 million at December 31, 2012. We reduced long-term debt throughout the year primarily through the use of a portion of the net proceeds from the IPO and cash flows provided by operating activities. Net interest expense in 2013 was \$250.1 million, a decrease of \$57.3 million compared to \$307.4 million in 2012. This decrease was primarily due to lower debt balances and effective interest rates for 2013 compared to 2012 as a result of debt repayments and refinancing activities completed during 2012 and 2013. See "Liquidity and Capital Resources" below.

Net loss on extinguishments of long-term debt

During 2013, we recorded a net loss on extinguishments of long-term debt of \$64.0 million compared to \$17.2 million in 2012.

In October 2013, we redeemed \$155.0 million aggregate principal amount of senior subordinated notes. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$8.5 million, representing the

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between the redemption price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In August 2013, we redeemed \$324.0 million aggregate principal amount of senior subordinated notes. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$24.6 million, representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In July 2013, we redeemed \$175.0 million aggregate principal amount of senior secured notes. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$16.7 million, representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In April 2013, we entered into a new seven-year, \$1,350.0 million aggregate principal amount senior secured term loan facility. Substantially all of the proceeds were used to repay the \$1,299.5 million outstanding aggregate principal amount of the prior senior secured term loan facility. In connection with this refinancing, we recorded a loss on extinguishment of long-term debt of \$10.3 million, representing a write-off of the remaining unamortized deferred financing costs related to the prior senior secured term loan facility.

In March 2013, we redeemed \$50.0 million aggregate principal amount of senior subordinated notes. We recorded a loss on extinguishment of long-term debt of \$3.9 million, representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In December 2012, we redeemed \$100.0 million aggregate principal amount of senior subordinated notes. We recorded a loss on extinguishment of long-term debt of \$7.8 million representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In February and March 2012, we purchased or redeemed the remaining \$129.0 million of senior notes due 2015, funded with the issuance of an additional \$130.0 million of senior notes due 2019. As a result, we recorded a loss on extinguishment of long-term debt of \$9.4 million, representing the difference between the purchase or redemption price of the senior notes due 2015 and the net carrying amount of the purchased debt, adjusted for the remaining unamortized deferred financing costs.

Income tax expense

Income tax expense was \$62.7 million in 2013, compared to \$67.1 million in 2012. The effective income tax rate, expressed by calculating income tax expense or benefit as a percentage of income before income taxes, was 32.1% and 36.0% for 2013 and 2012, respectively.

For 2013, the effective tax rate differed from the U.S. federal statutory rate primarily due to state income taxes, including current year state income tax credits and an adjustment to deferred state income taxes due to changes in apportionment factors. For 2012, the effective tax rate differed from the U.S. federal statutory rate primarily due to favorable adjustments to state tax credits which were partially offset by the unfavorable impact of adjustments to deferred state income taxes due to changes in state tax laws and non-deductible expenses, primarily equity-based compensation and meals and entertainment. The lower effective tax rate for 2013 as compared to 2012 was primarily driven by the favorable impact of adjustments to deferred state income taxes due to changes in state tax apportionment factors and lower non-deductible expenses.

Net income

Net income was \$132.8 million in 2013, compared to \$119.0 million in 2012. Significant factors and events causing the net changes between the periods are discussed above.

Non-GAAP net income

Non-GAAP net income was \$314.3 million for the year ended December 31, 2013, an increase of \$67.2 million, or 27.2%, compared to \$247.1 million for the year ended December 31, 2012.

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We have included a reconciliation of Non-GAAP net income for the years ended December 31, 2013 and 2012 below. Non-GAAP net income excludes, among other things, charges related to the amortization of acquisition-related intangibles, non-cash equity-based compensation, IPO- and secondary-offering related expenses and gains and losses from the early extinguishment of debt. Non-GAAP net income is considered a non-GAAP financial measure.

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. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. We believe that Non-GAAP net income provides 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.

(in millions)	Years Ended December 31,	
	2013	2012
Net income	\$132.8	\$119.0
Amortization of intangibles ⁽¹⁾	161.2	163.7
Non-cash equity-based compensation	8.6	22.1
Litigation, net ⁽²⁾	(6.3) —
Net loss on extinguishments of long-term debt	64.0	17.2
Interest expense adjustment related to extinguishments of long-term debt ⁽³⁾	(7.5	) (3.3
IPO- and secondary-offering related expenses ⁽⁴⁾	75.0	—
Aggregate adjustment for income taxes ⁽⁵⁾	(113.5	) (71.6
Non-GAAP net income	\$314.3	\$247.1

(1) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships and trade names.

(2) Relates to unusual, non-recurring litigation matters.

(3) Reflects adjustments to interest expense resulting from debt extinguishments. Represents the difference between interest expense previously recognized under the effective interest method and actual interest paid.

(4) IPO- and secondary-offering related expenses consist of the following:

(in millions)	Years Ended December 31,	
	2013	2012
Acceleration charge for certain equity awards and related employer payroll taxes	\$40.7	\$—
RDU Plan cash retention pool accrual	7.5	—
Management services agreement termination fee	24.4	—
Other expenses	2.4	—
IPO- and secondary-offering related expenses	\$75.0	\$—

(5) Based on a normalized effective tax rate of 39.0%.

Adjusted EBITDA

Adjusted EBITDA was \$808.5 million in 2013, an increase of \$41.9 million, or 5.5%, compared to \$766.6 million in 2012. As a percentage of net sales, Adjusted EBITDA was 7.5% and 7.6% in 2013 and 2012, respectively.

We have included a reconciliation of EBITDA and Adjusted EBITDA for 2013 and 2012 in the table below. EBITDA is defined as consolidated net income before interest expense, income tax expense, 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. Non-GAAP measures used by the Company may differ from similar measures used

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by other companies, even when similar terms are used to identify such measures. 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.

(in millions)	Years Ended December 31,	
	2013	2012
Net income	\$132.8	\$119.0
Depreciation and amortization	208.2	210.2
Income tax expense	62.7	67.1
Interest expense, net	250.1	307.4
EBITDA	653.8	703.7
Adjustments:		
Non-cash equity-based compensation	8.6	22.1
Sponsor fee	2.5	5.0
Consulting and debt-related professional fees	0.1	0.6
Net loss on extinguishments of long-term debt	64.0	17.2
Litigation, net ⁽¹⁾	(4.1	) 4.3
IPO- and secondary-offering related expenses ⁽²⁾	75.0	—
Other adjustments ⁽³⁾	8.6	13.7
Total adjustments	154.7	62.9
Adjusted EBITDA	\$808.5	\$766.6

(1)Relates to unusual, non-recurring litigation matters.

(2)As defined under Non-GAAP net income above.

(3)Other adjustments primarily include certain retention costs and equity investment income.

The following table sets forth a reconciliation of EBITDA to net cash provided by operating activities for the years ended December 31, 2013 and 2012.

(in millions)	Years Ended December 31,		
	2013	2012	
EBITDA	\$653.8	\$703.7	
Depreciation and amortization	(208.2) (210.2)
Income tax expense	(62.7) (67.1)
Interest expense, net	(250.1) (307.4)
Net income	132.8	119.0	
Depreciation and amortization	208.2	210.2	
Equity-based compensation expense	46.6	22.1	
Deferred income taxes	(48.7) (56.3)
Amortization of deferred financing costs, debt premium, and debt discount, net	8.8	13.6	
Net loss on extinguishments of long-term debt	64.0	17.2	
Other	1.7	1.0	
Changes in assets and liabilities	(47.1) (9.4)
Net cash provided by operating activities	\$366.3	\$317.4	

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Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

The following table presents our results of operations, in dollars and as a percentage of net sales, for the years ended December 31, 2012 and 2011:

	Year Ended December 31, 2012		Year Ended December 31, 2011		
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales	
Net sales	\$10,128.2	100.0	% \$9,602.4	100.0	%
Cost of sales	8,458.6	83.5	8,018.9	83.5	
Gross profit	1,669.6	16.5	1,583.5	16.5	
Selling and administrative expenses	1,029.5	10.2	990.1	10.3	
Advertising expense	129.5	1.3	122.7	1.3	
Income from operations	510.6	5.0	470.7	4.9	
Interest expense, net	(307.4	) (3.0	) (324.2	) (3.4)
Net loss on extinguishments of long-term debt	(17.2	) (0.2	) (118.9	) (1.2)
Other income, net	0.1	—	0.7	—	
Income before income taxes	186.1	1.8	28.3	0.3	
Income tax expense	(67.1	) (0.7	) (11.2	) (0.1)
Net income	\$119.0	1.1	% \$17.1	0.2	%

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, 2012 and 2011:

	Years Ended December 31, 2012		2011		Dollar Change	Percent Change ⁽¹⁾	
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales			
Corporate	\$5,512.8	54.4	% \$5,334.4	55.6	% \$178.4	3.3	%
Public	4,023.0	39.7	3,757.2	39.1	265.8	7.1	
Other	592.4	5.9	510.8	5.3	81.6	16.0	
Total net sales	\$10,128.2	100.0	% \$9,602.4	100.0	% \$525.8	5.5	%

⁽¹⁾ There were 254 and 255 selling days in the years ended December 31, 2012 and 2011, respectively. On an average daily basis, total net sales increased 5.9%.

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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, 2012 and 2011:

(in millions)	Years Ended December 31,		Dollar Change	Percent Change	
	2012	2011			
Corporate:					
Medium / Large	\$4,448.5	\$4,287.1	\$161.4	3.8	%
Small Business	1,064.3	1,047.3	17.0	1.6	
Total Corporate	\$5,512.8	\$5,334.4	\$178.4	3.3	%
Public:					
Government	\$1,394.1	\$1,343.5	\$50.6	3.8	%
Education	1,192.3	1,197.7	(5.4)	(0.4))
Healthcare	1,436.6	1,216.0	220.6	18.1	
Total Public	\$4,023.0	\$3,757.2	\$265.8	7.1	%

Total net sales in 2012 increased \$525.8 million, or 5.5%, to \$10,128.2 million, compared to \$9,602.4 million in 2011. There were 254 and 255 selling days in the years ended December 31, 2012 and 2011, respectively. On an average daily basis, total net sales increased 5.9%. The increase in total net sales was the result of general volume growth, market share gains, a more tenured sales force, and a continued focus on seller productivity across all areas of the organization. Our net sales growth for the year ended December 31, 2012 reflected growth in notebooks/mobile devices, netcomm products, software products, desktop computers and enterprise storage.

Corporate segment net sales in 2012 increased \$178.4 million, or 3.3%, compared to 2011. Within our Corporate segment, net sales to medium/large customers increased 3.8% between years, and net sales to small business customers increased 1.6% between years. Customers within the Corporate segment continued to take a more cautious approach to spending as increased macroeconomic uncertainty impacted decision-making and led to some customers delaying purchases. The increases in Corporate segment net sales were primarily a result of hardware growth, most notably in netcomm products, and unit volume growth in desktop computers. Software product growth, led by network management and security software, also contributed to the increase in net sales. Partially offsetting the growth was a decline in net sales of memory products due to several large orders in the second and third quarters of 2011 that did not recur.

Public segment net sales in 2012 increased \$265.8 million, or 7.1%, between years, driven by continued strong performance in the healthcare customer channel. Net sales to healthcare customers increased \$220.6 million, or 18.1%, between years, led by hardware growth, most notably in enterprise storage, and unit volume growth in netcomm products, desktop computers and point of care technology carts. Software product growth also contributed to the increase in net sales in healthcare. The healthcare customer channel growth was primarily the result of deeper relationships with several group purchasing organizations and increased healthcare industry demand for IT products, as the healthcare industry continued its adoption of electronic medical records and point of care technologies. Net sales to government customers increased \$50.6 million, or 3.8%, in 2012 compared to 2011 led by unit volume increases in sales of notebooks/mobile devices, partially offset by a decline in net sales of netcomm products. Net sales to education customers decreased \$5.4 million, or 0.4%, between years, reflecting budget constraints. A decline in sales to K-12 customers was partially offset by growth in sales to higher education customers that was led by increased sales of netcomm products, as higher education customers refreshed and added additional enterprise technology.

Gross profit

Gross profit increased \$86.1 million, or 5.4%, to \$1,669.6 million in 2012, compared to \$1,583.5 million in 2011. As a percentage of total net sales, gross profit was 16.5% in both 2012 and 2011. Gross profit margin was positively impacted 10 basis points by a higher mix of commission and net service contract revenue. Fully offsetting these increases in gross profit margin were declines in vendor funding primarily due to program changes for certain vendors. 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. Net service contract revenue, including items such as third-party services and 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 net sales, resulting in net sales being equal to the gross profit on the transaction. Vendor funding includes purchase discounts, volume rebates and cooperative advertising.

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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 \$39.4 million, or 4.0%, to \$1,029.5 million in 2012, compared to \$990.1 million in 2011. As a percentage of total net sales, selling and administrative expenses decreased 10 basis points to 10.2% in 2012, down from 10.3% in 2011. The dollar increase in selling and administrative expenses was primarily due to higher payroll costs (excluding bonus compensation tied to Adjusted EBITDA) of \$43.0 million. The higher payroll costs reflected in selling and administrative expenses were driven by increased sales commissions and other variable compensation costs consistent with higher sales and gross profit. While total coworker count increased by 59 coworkers, from 6,745 coworkers at December 31, 2011 to 6,804 coworkers at December 31, 2012, the increase was primarily comprised of service delivery coworkers, the cost of which is reflected in cost of sales. Other factors that increased selling and administrative expenses included a \$5.8 million increase in health benefits due to higher claims costs and a higher average number of participants in 2012 compared to 2011, a \$5.3 million increase in depreciation and amortization expense related primarily to additional capital expenditures for information technology systems, and a \$2.6 million increase in stock compensation expense, primarily due to incremental expense related to a modified Class B Common Unit grant agreement with our former chief executive officer. Partially offsetting these increases was an \$11.8 million decline in bonus compensation tied to Adjusted EBITDA, as performance fell below target, \$3.8 million of expenses related to the modification of our senior secured term loan facility in 2011 that did not recur in 2012, and a \$3.3 million decline in litigation expenses between years.

The decrease in selling and administrative expenses as a percentage of sales of 10 basis points between years was driven by the decline in incentive compensation tied to Adjusted EBITDA performance.

Advertising expense

Advertising expense increased \$6.8 million, or 5.6%, to \$129.5 million in 2012, compared to \$122.7 million in 2011. As a percentage of net sales, advertising expense was 1.3% in both 2012 and 2011. The increase in advertising expense was due to a focus on continuing to advertise our solutions and products and to build our reputation as a leading IT solutions provider, primarily through targeted digital advertising, partially offset by decreases in expenditures for print advertising.

Income 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, 2012 and 2011:

	Year Ended December 31, 2012		Year Ended December 31, 2011		Percent Change in Income (Loss) from Operations	
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage		
Segments: ⁽¹⁾						
Corporate	\$ 349.0	6.3	% \$ 331.6	6.2	% 5.2	%
Public	246.7	6.1	233.3	6.2	5.7	
Other	18.6	3.1	17.5	3.4	6.5	
Headquarters ⁽²⁾	(103.7	) nm*	(111.7	) nm*	7.2	
Total income from operations	\$ 510.6	5.0	% \$ 470.7	4.9	% 8.5	%

* Not meaningful

Segment income (loss) from operations includes the segment's direct operating income (loss) and allocations for (1) 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.

Income from operations was \$510.6 million in 2012, an increase of \$39.9 million, or 8.5%, compared to \$470.7 million in 2011. This increase was driven by higher net sales and gross profit, partially offset by higher selling and administrative expenses and advertising expense. Total operating margin percentage increased 10 basis points to 5.0% in 2012,

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compared to 4.9% in 2011. Operating margin percentage was positively impacted by the decrease in selling and administrative expenses as a percentage of net sales.

Corporate segment income from operations was \$349.0 million in 2012, an increase of \$17.4 million, or 5.2%, compared to \$331.6 million in 2011. This increase was primarily driven by higher net sales and gross profit margin, partially offset by higher selling and administrative expenses, resulting in a net increase in segment operating income before allocations of \$14.4 million in 2012 compared to 2011. In addition, Corporate segment income from operations benefited from an increase of \$2.5 million in income allocations from our logistics operations and a decrease of \$0.5 million in Headquarters' expense allocations in 2012 compared to 2011. The improved profitability of our logistics operations was driven by stronger operating leverage given higher purchase volumes while support costs remained flat.

Public segment income from operations was \$246.7 million in 2012, an increase of \$13.4 million, or 5.7%, compared to \$233.3 million in 2011. This increase reflected higher segment operating income before allocations of \$4.0 million as a result of increased net sales and gross profit dollars, partially offset by higher selling and administrative costs. In addition, Public segment income from operations benefited from an increase of \$5.7 million in income allocations from our logistics operations and a decrease in Headquarters' expense allocations of \$3.7 million in 2012 compared to 2011.

Interest expense, net

At December 31, 2012, our outstanding long-term debt totaled \$3,771.0 million, compared to \$4,066.0 million at December 31, 2011. Net interest expense in 2012 was \$307.4 million, a decrease of \$16.8 million compared to \$324.2 million in 2011. Interest expense in 2011 included a benefit of \$19.4 million, due to an adjustment to the long-term accrued interest liability associated with the extinguishment of \$1,078.0 million of senior notes due 2015. The long-term accrued interest liability represents the difference between interest expense previously recognized under the effective interest method and actual interest paid. Of the remaining net decrease of \$36.2 million, \$27.2 million was due to lower effective interest rates and lower debt balances in 2012 compared to the prior year as a result of debt repayment and refinancing activities completed during 2011 and 2012. The remaining net decrease was primarily attributable to additional interest expense in 2011 related to the interest rate swaps that terminated in January 2011, higher 2011 mark-to-market losses on interest rate caps, higher amortization of deferred financing costs in 2011 compared to 2012 and a 2012 benefit related to an adjustment to the long-term accrued interest liability associated with the extinguishment of \$100.0 million of senior subordinated notes due 2017.

Net loss on extinguishments of long-term debt

During 2012, we recorded a net loss on extinguishments of long-term debt of \$17.2 million compared to \$118.9 million in 2011.

In February and March 2012, we purchased or redeemed the remaining \$129.0 million of senior notes due 2015, funded with the issuance of an additional \$130.0 million of senior notes due 2019. As a result, we recorded a loss on extinguishment of long-term debt of \$9.4 million, representing the difference between the purchase or redemption price of the senior notes due 2015 and the net carrying amount of the purchased debt, adjusted for the remaining unamortized deferred financing costs.

In December 2012, we redeemed \$100.0 million aggregate principal amount of senior subordinated notes. We recorded a loss on extinguishment of long-term debt of \$7.8 million representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In March 2011, we amended our senior secured 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 senior notes due 2015, funded with the issuance of \$1,175.0 million of senior notes due 2019. 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 senior notes due 2015 at 109% of principal amount 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 senior secured asset-based revolving credit 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.

Income tax expense

Income tax expense was \$67.1 million in 2012, compared to \$11.2 million in 2011. The effective income tax rate was 36.0% and 39.7% for 2012 and 2011, respectively.

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For 2012, the effective tax rate differed from the U.S. federal statutory rate primarily due to favorable adjustments to state tax credits which are partially offset by the unfavorable impact of adjustments to deferred taxes due to changes in state tax laws and permanent differences. For 2011, the effective tax rate differed from the U.S. federal statutory rate primarily due to the unfavorable impact of permanent differences offset by a benefit for state income taxes. The lower effective tax rate for 2012 as compared to 2011 was primarily driven by the impact of favorable adjustments to state tax credits in 2012 and the lower rate impact of permanent differences in 2012 due to the significantly greater amount of pre-tax income.

Net income

Net income was \$119.0 million in 2012, compared to \$17.1 million in 2011. The 2012 and 2011 results included after tax losses on extinguishments of long-term debt of \$10.5 million and \$72.5 million, respectively. Other significant factors and events causing the net changes from 2011 to 2012 are discussed above.

Non-GAAP net income

Non-GAAP net income was \$247.1 million for the year ended December 31, 2012, an increase of \$48.3 million, or 24.3%, compared to \$198.8 million for the year ended December 31, 2011.

We have included a reconciliation of Non-GAAP net income for the years ended December 31, 2012 and 2011 below.

Non-GAAP net income excludes, among other things, charges related to the amortization of acquisition-related intangibles, non-cash equity-based compensation and gains and losses from the early extinguishment of debt.

Non-GAAP net income is considered a non-GAAP financial measure. 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. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. We believe that Non-GAAP net income provides 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.

(in millions)	Years Ended December 31,	
	2012	2011
Net income	\$119.0	\$17.1
Amortization of intangibles ⁽¹⁾	163.7	165.7
Non-cash equity-based compensation	22.1	19.5
Net loss on extinguishments of long-term debt	17.2	118.9
Interest expense adjustment related to extinguishments of long-term debt ⁽²⁾	(3.3	) (19.4
Debt related refinancing costs ⁽³⁾	—	3.8
Aggregate adjustment for income taxes ⁽⁴⁾	(71.6	) (106.8
Non-GAAP net income	\$247.1	\$198.8

(1) Includes amortization expense for acquisition-related intangible assets, primarily customer relationships and trade names.

(2) Reflects adjustments to interest expense resulting from debt extinguishments. Represents the difference between interest expense previously recognized under the effective interest method and actual interest paid.

(3) Reflects expenses for the March 2011 amendment to the prior term loan facility.

(4) Based on a normalized effective tax rate of 39.0%.

Adjusted EBITDA

Adjusted EBITDA was \$766.6 million in 2012, an increase of \$49.3 million, or 6.9%, compared to \$717.3 million in 2011. As a percentage of net sales, Adjusted EBITDA was 7.6% and 7.5% in 2012 and 2011, respectively.

We have included a reconciliation of EBITDA and Adjusted EBITDA for 2012 and 2011 in the table below. EBITDA is defined as consolidated net income before interest expense, income tax expense, 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

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excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP measures used by the Company may differ from similar measures used by other companies, even when similar terms are used to identify such measures. 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 Financial Data” included elsewhere in this report for a reconciliation of EBITDA to cash flows from operating activities.

(in millions)	Years Ended December 31,	
	2012	2011
Net income	\$119.0	\$17.1
Depreciation and amortization	210.2	204.9
Income tax expense	67.1	11.2
Interest expense, net	307.4	324.2
EBITDA	703.7	557.4
Adjustments:		
Non-cash equity-based compensation	22.1	19.5
Sponsor fee	5.0	5.0
Consulting and debt-related professional fees	0.6	5.1
Net loss on extinguishments of long-term debt	17.2	118.9
Litigation, net ⁽¹⁾	4.3	—
Other adjustments ⁽²⁾	13.7	11.4
Total adjustments	62.9	159.9
Adjusted EBITDA	\$766.6	\$717.3

(1) Relates to unusual, non-recurring litigation matters.

(2) Other adjustments include certain retention costs and equity investment income.

The following table sets forth a reconciliation of EBITDA to net cash provided by operating activities for the years ended December 31, 2012 and 2011.

(in millions)	Years Ended December 31,	
	2012	2011
EBITDA	\$703.7	\$557.4
Depreciation and amortization	(210.2)	(204.9)
Income tax expense	(67.1)	(11.2)
Interest expense, net	(307.4)	(324.2)
Net income	119.0	17.1
Depreciation and amortization	210.2	204.9
Equity-based compensation expense	22.1	19.5
Deferred income taxes	(56.3)	(10.2)
Allowance for doubtful accounts	—	0.4
Amortization of deferred financing costs and debt premium	13.6	15.7
Net loss on extinguishments of long-term debt	17.2	118.9
Other	1.0	6.7
Changes in assets and liabilities	(9.4)	(158.3)
Net cash provided by operating activities	\$317.4	\$214.7

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Seasonality

While we have not historically experienced significant seasonality throughout the year, sales in our Corporate segment, which primarily serves private sector 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 and education customers.

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 senior secured asset-based revolving credit 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.

On July 2, 2013, we completed an IPO of 23,250,000 shares of common stock. On July 31, 2013, we completed the sale of an additional 3,487,500 shares of common stock to the underwriters of the IPO pursuant to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO. Such shares were registered under the Securities Act of 1933, as amended, pursuant to our Registration Statement on Form S-1, which was declared effective by the SEC on June 26, 2013. Our shares of common stock are listed on the NASDAQ Global Select Market under the symbol "CDW." Our shares of common stock were sold to the underwriters at a price of \$17.00 per share in the IPO and upon the exercise of the overallotment option, which together generated aggregate net proceeds of \$424.7 million to us after deducting underwriting discounts, expenses and transaction costs.

Using a portion of the net proceeds from the IPO, we paid a \$24.4 million termination fee to affiliates of the Sponsors in connection with the termination of the management services agreement with such entities that was effective upon completion of the IPO and redeemed \$175.0 million aggregate principal amount of senior secured notes due 2018. The redemption price of the senior secured notes due 2018 was 108.0% of the principal amount redeemed, plus \$0.7 million of accrued and unpaid interest to the date of redemption. We used cash on hand to pay such accrued and unpaid interest. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$16.7 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$14.0 million in redemption premium and \$2.7 million for the write-off of a portion of the remaining deferred financing costs related to the senior secured notes due 2018.

On August 1, 2013, we redeemed \$324.0 million aggregate principal amount of senior subordinated notes due 2017. We used a portion of the net proceeds from the IPO to redeem \$146.0 million aggregate principal amount of senior subordinated notes due 2017 and incremental borrowings of \$190.0 million under the senior secured term loan facility to redeem \$178.0 million aggregate principal amount of senior subordinated notes due 2017. The redemption price of the senior subordinated notes due 2017 was 106.268% of the principal amount redeemed, plus \$12.0 million of accrued and unpaid interest to the date of redemption. We used cash on hand to pay such accrued and unpaid interest. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$24.6 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$20.3 million in redemption premium and \$4.3 million for the write-off of a portion of the remaining deferred financing costs related to the senior subordinated notes due 2017.

On October 18, 2013, we redeemed \$155.0 million aggregate principal amount of senior subordinated notes due 2017 at a redemption price that was 104.178% of the principal amount redeemed plus \$0.2 million in accrued and unpaid interest to the date of redemption. We used a combination of cash on hand and the net proceeds from the sale of shares of common stock related to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO, in the amount of \$56.0 million, to redeem the \$155.0 million aggregate principal amount of senior subordinated notes due 2017, including the redemption premium and accrued and unpaid interest. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$8.5 million in the

consolidated statement of operations during the year ended December 31, 2013. This loss represented \$6.5 million in redemption premium and \$2.0 million for the write-off of a portion of the remaining deferred financing costs related to the senior subordinated notes due 2017. See "Subsequent Events" below for a description of refinancing transactions completed during 2014.

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On December 2, 2013, we paid a cash dividend on our common stock of \$0.0425 per share to all stockholders of record as of the close of business on November 15, 2013.

On February 13, 2014, we announced that our board of directors declared a quarterly cash dividend on our common stock of \$0.0425 per share. The dividend will be paid on March 10, 2014 to all stockholders of record as of the close of business on February 25, 2014. The payment of any future dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, business prospects, capital requirements, contractual restrictions, any potential indebtedness we may incur, restrictions imposed by applicable law, tax considerations and other factors that our board of directors deems relevant. In addition, our ability to pay dividends on our common stock will be limited by restrictions on our ability to pay dividends or make distributions to our stockholders and on the ability of our subsidiaries to pay dividends or make distributions to us, in each case, under the terms of our current and any future agreements governing our indebtedness.

In connection with the establishment of the MPK Incentive Plan II (the "MPK Plan") in 2007, we agreed to make charitable contributions in amounts equal to the net income tax benefits derived from payouts to participants under the MPK Plan (net of any related employer payroll tax costs). As of December 31, 2013, we have accrued approximately \$21 million related to this arrangement within other current liabilities. We expect to make the related cash contribution during the first quarter of 2014. See Note 10 of the accompanying audited consolidated financial statements for additional discussion of this arrangement.

Cash Flows

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

(in millions)	Years Ended December 31,		
	2013	2012	2011
Net cash provided by (used in):			
Operating activities	\$366.3	\$317.4	\$214.7
Investing activities	(47.1	) (41.7	) (56.0
)
Net change in accounts payable - inventory financing	7.4	(29.5	) 250.5
Other financing activities	(175.7	) (308.5	) (345.9
Financing activities	(168.3	) (338.0	) (95.4
)
Effect of exchange rate changes on cash and cash equivalents	(0.7	) 0.3	—
Net increase (decrease) in cash and cash equivalents	\$150.2	\$(62.0	) \$63.3

Operating Activities

Net cash provided by operating activities for 2013 increased \$48.9 million compared to 2012. Net income adjusted for the impact of non-cash items such as depreciation and amortization, equity-based compensation expense and net loss on extinguishments of long-term debt was \$413.4 million during 2013, compared to \$326.8 million during 2012, an increase of \$86.6 million. The increase in cash of \$86.6 million reflected stronger operating results in 2013 compared to 2012. Net changes in assets and liabilities reduced cash by \$47.1 million in 2013 compared to a reduction of \$9.4 million in 2012, resulting in a change of \$37.7 million between periods. While changes in assets and liabilities were relatively flat during 2012, during 2013, accounts receivable and accounts payable balances decreased and increased cash by \$170.8 million and \$146.1 million, respectively, primarily as a result of accelerated sales growth during the final month of 2013. Merchandise inventory also increased during 2013 to support strong sales order volume near the end of 2013.

Net cash provided by operating activities for 2012 increased \$102.7 million compared to 2011. The increase was primarily driven by changes in assets and liabilities, resulting in a \$148.9 million increase in net cash provided by operating activities between periods. Despite a 2012 fourth quarter increase in net sales of 4.9% between years, accounts receivable remained relatively flat from the prior year end driven by improved collection results, particularly within the Public segment. Accounts receivable in 2011 represented a use of cash of \$183.4 million, primarily due to a 2011 fourth quarter increase in net sales of 9.3% from the same period in the prior year. Merchandise inventory also contributed \$36.1 million of the increase in cash between years driven by a return to more normalized inventory levels

in 2012 following the build-up at the end of 2011 related to the hard drive shortage from the Thailand floods, along with a higher percentage of drop shipments from vendor partners and distributors in 2012 compared to 2011. Partially offsetting these factors in 2012 was a \$54.1 million decrease in other assets as we collected \$53.3 million in income tax refunds in 2011 that did not repeat in 2012. Net income adjusted for the impact of non-cash items such as losses on extinguishment of long-term debt was \$326.8 million in 2012 compared to \$373.0 million in 2011, or a decrease of \$46.2 million. Improved operating performance in 2012 drove higher net income between years, but also higher net cash income taxes paid. Net cash income taxes paid in 2012 were \$123.2 million compared to a net

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cash tax refund of \$20.9 million in 2011. In addition to the \$53.3 million in cash tax refunds received in 2011, we also fully utilized our remaining federal net operating tax loss carryforwards during 2011.

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 minus days of purchases outstanding in accounts payable, based on a rolling three-month average. The following table presents the components of our cash conversion cycle:

(in days)	December 31,		
	2013	2012	2011
Days of sales outstanding (DSO) ⁽¹⁾	44	42	45
Days of supply in inventory (DIO) ⁽²⁾	15	14	15
Days of purchases outstanding (DPO) ⁽³⁾	(35	) (32	) (32
Cash conversion cycle	24	24	28

Represents the rolling three-month average of the balance of trade accounts receivable, net at the end of the period (1) divided by average daily net sales for the same three-month period. 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 for the same three-month period.

Represents the rolling three-month average of the combined balance of accounts payable-trade, excluding cash (3) overdrafts, and accounts payable-inventory financing at the end of the period divided by average daily cost of goods sold for the same three-month period.

The cash conversion cycle remained flat at 24 days for both December 31, 2013 and 2012. The increase in DSO was primarily driven by an increase in receivables for third-party services such as software assurance and warranties. These services have an unfavorable impact on DSO as the receivable is recognized on the balance sheet on a gross basis while the corresponding sales amount in the statement of operations is recorded on a net basis. The DPO increase was primarily due to an increase in payables for third-party services, which offsets the related increase in DSO discussed above. These services have a favorable impact on DPO as the payable is recognized on the balance sheet without a corresponding cost of sales in the statement of operations because the cost paid to the vendor or third-party service provider is recorded as a reduction to net sales. The timing of quarter-end payments also had a favorable impact on DPO at December 31, 2013. The increase in DIO was primarily due to an increase in inventory to support strong sales order volume near the end of 2013.

The cash conversion cycle decreased to 24 days at December 31, 2012 compared to 28 days at December 31, 2011, driven by improvements in DSO and DIO. The DSO decline was primarily related to improved collections in the Public segment. The DIO decline was primarily related to an increase in the percentage of products delivered to customers via drop-shipment in 2012 compared to 2011, which had the effect of increasing cost of sales without a corresponding increase in inventory-related working capital.

Investing Activities

Net cash used in investing activities increased \$5.4 million in 2013 compared to 2012. Capital expenditures were \$47.1 million and \$41.4 million for 2013 and 2012, respectively, primarily for improvements to our information technology systems during both years.

Net cash used in investing activities in 2012 decreased \$14.3 million compared to 2011. This decline was primarily due to a reduction in cash payments between years of \$6.6 million related to interest rate swap agreements, as the \$6.6 million paid in 2011 reflected the final payment upon termination of the swap agreements on January 14, 2011.

Capital expenditures were \$41.4 million and \$45.7 million for 2012 and 2011, respectively, primarily for improvements to our information technology systems during both years. During 2012 and 2011, we paid \$0.3 million and \$3.7 million, respectively, for new interest rate cap agreements.

Financing Activities

Net cash used in financing activities decreased \$169.7 million in 2013 compared to 2012. The decrease was primarily driven by various debt transactions during each period and our July 2013 IPO, which generated net proceeds of \$424.7 million after deducting underwriting discounts, expenses and transaction costs. The net impact of our debt transactions

resulted in cash outflows of \$569.4 million and \$310.6 million during 2013 and 2012, respectively, as cash was used in each period to reduce

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our total long-term debt. Debt transactions impacting each period presented are described below under "Long-Term Debt and Financing Arrangements."

Net cash used in financing activities increased \$242.6 million in 2012 compared to 2011. This change was primarily driven by 2011 net inflows from accounts payable-inventory financing of \$250.5 million compared to 2012 outflows of \$29.5 million, resulting in a total impact on the change in cash used in financing activities of \$280.0 million from accounts payable-inventory financing. The reduction in cash during 2012 from accounts payable-inventory financing was primarily due to the termination of one of our inventory financing agreements in the first quarter of 2012, with amounts owed for subsequent purchases being included in accounts payable-trade on the consolidated balance sheet and classified as cash flows from operating activities on the consolidated statement of cash flows. As discussed below under "Inventory Financing Arrangements," in June 2011 we entered into a new inventory financing agreement with a financial intermediary to facilitate the purchase of inventory from a certain vendor. Inventory purchases from this vendor under the June 2011 inventory financing agreement are included in accounts payable-inventory financing and reported as cash flows from financing activities. The net impact of our debt transactions resulted in cash outflows of \$310.6 million during 2012 and \$346.5 million during 2011 as cash was used in each period to reduce our total long-term debt. Debt transactions impacting each period presented are described below under "Long-Term Debt and Financing Arrangements."

Long-Term Debt and Financing Arrangements

Long-term debt was as follows:

(dollars in millions)

	Interest Rate ⁽¹⁾	December 31,	
		2013	2012
Senior secured asset-based revolving credit facility	—	% \$—	\$—
Senior secured term loan facility	3.25	% 1,528.9	1,339.5
Unamortized discount on senior secured term loan facility		(4.4) —
Senior secured notes due 2018	8.0	% 325.0	500.0
Senior notes due 2019	8.5	% 1,305.0	1,305.0
Unamortized premium on senior notes due 2019		4.2	5.0
Senior subordinated notes due 2017	12.535	% 92.5	621.5
Total long-term debt		3,251.2	3,771.0
Less current maturities of long-term debt		(45.4	) (40.0
Long-term debt, excluding current maturities		\$3,205.8	\$3,731.0

(1) Interest rate at December 31, 2013.

At December 31, 2013, we were in compliance with the covenants under our various credit agreements and indentures as described below. Under the indentures governing the 8.5% Senior Notes due 2019 and 8.0% Senior Secured Notes due 2018, which contain the most restrictive restricted payment provisions in our various credit agreements and indentures, CDW LLC and its restricted subsidiaries are generally restricted from paying dividends and making other restricted payments unless CDW LLC could incur an additional dollar of indebtedness under its fixed charges ratio covenant and the amount of such dividend or other restricted payment, together with the amount of all other dividends and restricted payments made from January 1, 2011 through the end of the most recently ended fiscal quarter, is less than the sum of 50% of cumulative consolidated net income or 100% of any consolidated net loss incurred over the period plus the amount of certain other items occurring during that period that increase (and in some cases decrease) the amounts available for such payments. For the purpose of determining restricted payment capacity, consolidated net income or loss includes certain adjustments that are defined in the indentures. At December 31, 2013, the amount of cumulative consolidated net income free of restrictions under the credit agreements and indentures ("Restricted Payment Capacity") was \$148.0 million. However, the transactions described below under "Subsequent Events" have since reduced the Restricted Payment Capacity to approximately \$89 million.

Senior Secured Asset-Based Revolving Credit Facility ("Revolving Loan")

At December 31, 2013, we had no outstanding borrowings under the Revolving Loan, \$2.2 million of undrawn letters of credit and \$256.7 million reserved related to the floorplan sub-facility.

On June 24, 2011, we entered into the Revolving Loan, a 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 Revolving Loan matures on June 24, 2016. The Revolving Loan replaced our previous revolving loan credit facility that was to mature on October 12, 2012. In connection with the termination of the

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previous facility, we recorded a loss on extinguishment of long-term debt of \$1.6 million in the consolidated statement of operations for the year ended December 31, 2011, representing a write-off of a portion of unamortized deferred financing costs. Fees of \$7.2 million related to the Revolving Loan were capitalized as deferred financing costs and are being amortized over the term of the facility on a straight-line basis.

As described in Note 5 to the consolidated financial statements, we have entered into agreements with certain financial intermediaries to facilitate the purchase of inventory from various suppliers. In connection with the floorplan sub-facility, we entered into the Revolving Loan inventory financing agreement. Amounts outstanding under the Revolving Loan inventory financing agreement are unsecured and noninterest bearing. We will either pay the outstanding Revolving Loan inventory financing agreement amounts when they become due, or the Revolving Loan's administrative agent will automatically initiate an advance on the Revolving Loan and use the proceeds to pay the balance on the due date. At December 31, 2013, the financial intermediary reported an outstanding balance of \$246.8 million under the Revolving Loan inventory financing agreement. The total amount reported on the consolidated balance sheet as accounts payable-inventory financing related to the Revolving Loan inventory financing agreement is \$9.3 million more than the \$246.8 million owed to the financial intermediary due to differences in the timing of reporting activity under the Revolving Loan inventory financing agreement. The outstanding balance reported by the financial intermediary excludes \$9.9 million in reserves for open orders that reduce the availability under the Revolving Loan. Changes in cash flows from the Revolving Loan inventory financing agreement are reported in financing activities on the consolidated statements of cash flows.

Borrowings under the Revolving Loan 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 or (c) the 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 0.25% if, and for as long as, the senior secured leverage ratio is less than 3.0. The senior secured leverage ratio is defined as the ratio of senior secured debt (including amounts owed under certain inventory floorplan arrangements) less cash and cash equivalents, to Adjusted EBITDA, a non-GAAP measure, for the four most recently ended fiscal quarters. For the four quarters ended December 31, 2013, the senior secured leverage ratio was 2.1. Availability under the Revolving Loan 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 inventory 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 December 31, 2013, the borrowing base was \$1,065.5 million based on the amount of eligible inventory and accounts receivable balances as of November 30, 2013. We could have borrowed up to an additional \$641.1 million under the Revolving Loan at December 31, 2013. The fee on the unused portion of the Revolving Loan ranges from 25 basis points to either 37.5 or 50 basis points, depending on the amount of utilization.

CDW LLC is the borrower under the Revolving Loan. All obligations under the Revolving Loan are guaranteed by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries. Borrowings under the Revolving Loan are collateralized by a first priority interest in inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 5), deposits, and accounts receivable, and a second priority interest in substantially all other assets. The Revolving Loan 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, 100% 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 Revolving Loan 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.

Senior Secured Term Loan Facility

On April 29, 2013, we entered into a new seven-year, \$1,350.0 million aggregate principal amount senior secured term loan facility (the "Term Loan"). The Term Loan was issued at a price that was 99.75% of par, which resulted in a discount of \$3.4 million. Substantially all of the proceeds from the Term Loan were used to repay the \$1,299.5 million outstanding aggregate principal amount of the prior senior secured term loan facility (the "Prior Term Loan Facility"). In connection with this refinancing, we recorded a loss on extinguishment of long-term debt of \$10.3 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented a write-off of the remaining unamortized deferred financing costs related to the Prior Term Loan Facility.

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On July 31, 2013, we borrowed an additional \$190.0 million aggregate principal amount under the Term Loan at a price that was 99.25% of par, which resulted in a discount of \$1.4 million. Such proceeds were used to redeem a portion of outstanding Senior Subordinated Notes. The discounts are reported on the consolidated balance sheet as a reduction to the face amount of the Term Loan and are being amortized to interest expense over the term of the related debt. Fees of \$6.1 million related to the Term Loan were capitalized as deferred financing costs and are being amortized over the term of the facility using the effective interest method.

Borrowings under the Term Loan bear interest at either (a) the alternate base rate ("ABR") plus a margin or (b) LIBOR plus a margin; provided that for the purposes of the Term Loan, LIBOR shall not be less than 1.00% per annum at any time ("LIBOR Floor"). The margin is based upon a net leverage ratio as defined in the agreement governing the Term Loan, ranging from 1.25% to 1.50% for ABR borrowings and 2.25% to 2.50% for LIBOR borrowings. An interest rate of 3.25%, LIBOR Floor plus a 2.25% margin, was in effect during the three-month period ended December 31, 2013.

Unlike the Prior Term Loan Facility, the Term Loan does not include a senior secured leverage ratio requirement or a hedging requirement. Additionally, the definition of debt under the Term Loan was revised to exclude amounts outstanding under our inventory financing agreements. The Term Loan is subject to certain requirements as was the Prior Term Loan Facility to make mandatory annual excess cash flow prepayments under designated circumstances, including (i) a prepayment in an amount equal to 50% of our excess cash flow for a fiscal year (the percentage rate of which decreases to 25% when the total net leverage ratio, as defined in the governing agreement, is less than or equal to 5.5 but greater than 4.5; and decreases to 0% when the total net leverage ratio is less than or equal to 4.5), and (ii) the net cash proceeds from the incurrence of certain additional indebtedness by us or our subsidiaries. The total net leverage ratio was 3.8 at December 31, 2013.

We are required to pay quarterly principal installments equal to 0.25% of the original principal amount of the Term Loan, with the remaining principal amount payable on the maturity date of April 29, 2020. The quarterly principal installment payments commenced during the quarter ended June 30, 2013. At December 31, 2013, the outstanding principal amount of the Term Loan was \$1,528.9 million, excluding \$4.4 million in unamortized discount.

We have interest rate cap agreements in effect through January 14, 2015 with a combined notional amount of \$1,150.0 million. These cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. Of the total \$1,150.0 million notional amount, \$500.0 million entitle us to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period. The remaining cap agreements with a notional amount of \$650.0 million entitle us to payments from the counterparty of the amount, if any, by which the three-month LIBOR exceeds 1.5% during the agreement period. The fair value of our interest rate cap agreements was zero at December 31, 2013 and \$0.1 million at December 31, 2012.

During the first quarters of 2013, 2012 and 2011, we made principal prepayments totaling \$40.0 million, \$201.0 million and \$132.0 million, respectively, under the Prior Term Loan Facility. These prepayments satisfied the excess cash flow payment provision of the Prior Term Loan Facility with respect to the years ended December 31, 2012, 2011 and 2010, respectively.

On March 11, 2011, we entered into an amendment to the Prior Term Loan Facility, which became effective on March 14, 2011. In connection with this amendment, we recorded a loss on extinguishment of long-term debt of \$3.2 million in the consolidated statement of operations for the year ended December 31, 2011. This loss represented a write-off of a portion of the unamortized deferred financing costs related to the Prior Term Loan Facility.

CDW LLC is the borrower under the Term Loan. All obligations under the Term Loan are guaranteed by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries. The Term Loan is collateralized by a second priority interest in substantially all inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 5 to the consolidated financial statements), deposits, and accounts receivable, and by a first priority interest in substantially all other assets. The Term Loan 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, 100% 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.

8.0% Senior Secured Notes due 2018 (“Senior Secured Notes”)

The Senior Secured Notes were issued on December 17, 2010 and will mature on December 15, 2018. At December 31, 2013, the outstanding principal amount of the Senior Secured Notes was \$325.0 million.

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On July 2, 2013, we used a portion of the net proceeds from the IPO to redeem \$175.0 million aggregate principal amount of Senior Secured Notes. The redemption price of the Senior Secured Notes was 108.0% of the principal amount redeemed, plus \$0.7 million of accrued and unpaid interest to the date of redemption. We used cash on hand to pay such accrued and unpaid interest. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$16.7 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$14.0 million in redemption premium and \$2.7 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Secured Notes.

CDW LLC and CDW Finance Corporation 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, 100% owned, domestic subsidiaries. The Senior Secured Notes are secured on a pari passu basis with the Term Loan by a second priority interest in substantially all inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 5 to the consolidated financial statements), deposits, and accounts receivable, and by a first priority interest in substantially all other assets. The Senior Secured Note indenture 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, 100% 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 Senior Secured Note indenture does not contain any financial covenants.

11.0% Senior Exchange Notes due 2015 (“Senior Exchange Notes”); 11.5% / 12.25% Senior PIK Election Exchange Notes due 2015 (“PIK Election Notes” together with the Senior Exchange Notes, the “Senior Notes due 2015”) At December 31, 2013, there were no outstanding Senior Notes due 2015.

On April 13, 2011, we completed a cash tender offer (the “Initial Senior Notes due 2015 Tender Offer”) and purchased \$665.1 million aggregate principal amount of Senior Notes due 2015 comprised of \$519.2 million of the Senior Exchange Notes and \$145.9 million of the PIK Election Notes. We concurrently issued \$725.0 million aggregate principal amount of Senior Notes (as defined below). The proceeds from this offering, together with cash on hand and borrowings under the then-outstanding revolving loan credit facility, were used to fund the purchase of the tendered Senior Notes due 2015, including \$665.1 million aggregate principal amount of Senior Notes due 2015, \$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 due 2015 Tender Offer,” and together with the Initial Senior Notes due 2015 Tender Offer, the “Senior Notes due 2015 Tender Offers”) and purchased an additional \$412.8 million aggregate principal amount of Senior Notes due 2015 comprised of \$321.4 million of the Senior Exchange Notes and \$91.4 million of the 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 revolving loan credit facility, were used to fund the purchase of the tendered Senior Notes due 2015, including \$412.8 million aggregate principal amount of Senior Notes due 2015, \$37.2 million in tender offer premium and \$4.5 million of accrued and unpaid interest, along with transaction fees and expenses.

In connection with the Senior Notes due 2015 Tender Offers, we recorded a loss on extinguishment of long-term debt of \$114.1 million in the consolidated statement of operations for the year ended December 31, 2011. This loss represented \$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 Senior Notes due 2015. 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 effective interest method.

On February 2, 2012, we commenced a tender offer to purchase any and all of the remaining \$129.0 million aggregate principal amount of Senior Notes due 2015. On February 17, 2012, we accepted for purchase \$120.6 million aggregate principal amount of the outstanding Senior Notes due 2015 that were tendered. On March 5, 2012, we accepted for purchase an additional \$0.1 million aggregate principal amount of the outstanding Senior Notes due 2015 that were tendered prior to the expiration of the tender offer on March 2, 2012. On March 19, 2012, we redeemed the remaining \$8.3 million aggregate principal amount that was not tendered.

We funded the purchases and redemptions of the Senior Notes due 2015 with the issuance of \$130.0 million aggregate principal amount of additional Senior Notes on February 17, 2012. The proceeds from this issuance, together with cash on hand and borrowings under the Revolving Loan, funded the payment of \$129.0 million aggregate principal amount of Senior Notes due 2015, \$7.9 million in tender and redemption premiums and \$5.0 million of accrued and unpaid interest, along with transaction fees and expenses.

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In connection with these transactions, we recorded a loss on extinguishment of long-term debt of \$9.4 million in the consolidated statement of operations for the year ended December 31, 2012. This loss represented \$7.9 million in tender and redemption premiums and \$1.5 million for the write-off of the remaining unamortized deferred financing costs related to the Senior Notes due 2015.

8.5% Senior Notes due 2019 (“Senior Notes”)

At December 31, 2013, the outstanding principal amount of Senior Notes was \$1,305.0 million, excluding \$4.2 million in unamortized premium. The Senior Notes mature on April 1, 2019.

On February 17, 2012, we issued \$130.0 million aggregate principal amount of additional Senior Notes at an issue price of 104.375% of par. The \$5.7 million premium received is reported on the consolidated balance sheet as an addition to the face amount of the Senior Notes and is being amortized as a reduction of interest expense over the term of the related debt.

As discussed above, on April 13, 2011, we issued \$725.0 million aggregate principal amount of Senior Notes and on May 20, 2011, we issued an additional \$450.0 million aggregate principal amount of Senior Notes. The proceeds from these issuances together with cash on hand and borrowings under the then-outstanding revolving loan credit facility were used to fund the Senior Notes due 2015 Tender Offers.

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, 100% owned, domestic subsidiaries. The Senior Note indenture 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, 100% 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 Senior Notes do not contain any financial covenants.

12.535% Senior Subordinated Exchange Notes due 2017 (“Senior Subordinated Notes”)

At December 31, 2013, the outstanding principal amount of the Senior Subordinated Notes was \$92.5 million. The Senior Subordinated Notes have a maturity date of October 12, 2017.

On October 18, 2013, we redeemed \$155.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 104.178% of the principal amount redeemed. A combination of cash on hand and the net proceeds from the sale of shares of common stock related to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO, in the amount of \$56.0 million, was used to fund the redemption of \$155.0 million aggregate principal amount, \$6.5 million of redemption premium and \$0.2 million in accrued and unpaid interest to the date of redemption. See Note 9 in the consolidated financial statements for additional discussion of the underwriters' overallotment option. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$8.5 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$6.5 million in redemption premium and \$2.0 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes.

On August 1, 2013, we redeemed \$324.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. We used a portion of the net proceeds from the IPO to redeem \$146.0 million aggregate principal amount of Senior Subordinated Notes and incremental borrowings of \$190.0 million under the Term Loan to redeem \$178.0 million aggregate principal amount of Senior Subordinated Notes. We used cash on hand to pay \$12.0 million of accrued and unpaid interest to the date of redemption. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$24.6 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$20.3 million in redemption premium and \$4.3 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Subordinated Notes.

On March 8, 2013, we redeemed \$50.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. Cash on hand was used to fund the redemption of \$50.0 million aggregate principal amount, \$3.1 million of redemption premium and \$2.5 million in accrued and unpaid interest to the date of redemption. In connection with this redemption, we recorded a loss on

extinguishment of long-term debt of \$3.9 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$3.1 million in redemption premium and \$0.8 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes.

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On December 21, 2012, we redeemed \$100.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. Cash on hand was used to fund the redemption of \$100.0 million aggregate principal amount, \$6.3 million of redemption premium and \$2.3 million in accrued and unpaid interest to the date of redemption. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of \$7.8 million in the consolidated statement of operations for the year ended December 31, 2012. This loss represented \$6.3 million in redemption premium and \$1.5 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes.

CDW LLC and CDW Finance Corporation are the co-issuers of the Senior Subordinated Notes. Obligations under the Senior Subordinated Notes are guaranteed on an unsecured senior basis by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries. The Senior Subordinated Note indenture 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, 100% 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 Senior Subordinated 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, as described below. These amounts are classified separately as accounts payable-inventory financing on the consolidated balance sheets. We do not incur any interest expense associated with these agreements as balances are paid when they are due.

The following table presents the amounts included in accounts payable-inventory financing:

(in millions)	December 31,	
	2013	2012
Revolving Loan inventory financing agreement	\$256.1	\$248.3
Other inventory financing agreements	0.5	0.9
Accounts payable-inventory financing	\$256.6	\$249.2

We maintain a senior secured asset-based revolving credit facility as described in Note 7 to our consolidated financial statements, which incorporates a \$400.0 million floorplan sub-facility to facilitate the purchase of inventory from a certain vendor. In connection with the floorplan sub-facility, we maintain the Revolving Loan inventory financing agreement. Amounts outstanding under the Revolving Loan inventory financing agreement are unsecured and non-interest bearing. At December 31, 2013 and 2012, we reported \$256.1 million and \$248.3 million, respectively, for this agreement within accounts payable-inventory financing on the consolidated balance sheets.

We also maintain other inventory financing agreements with financial intermediaries to facilitate the purchase of inventory from certain vendors. At December 31, 2013 and 2012, amounts owed under other inventory financing agreements of \$0.5 million and \$0.9 million, respectively, were collateralized by the inventory purchased under these financing agreements and a second lien on the related accounts receivable.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, operating leases and asset retirement obligations. The following table presents our estimated future payments under contractual obligations that existed as of December 31, 2013, based on undiscounted amounts.

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(in millions)	Payments Due by Period				
	Total	< 1 year	1-3 years	4-5 years	> 5 years
Revolving Loan ⁽¹⁾	\$—	\$—	\$—	\$—	\$—
Term Loan ⁽²⁾	1,832.7	64.9	128.3	126.3	1,513.2
Senior Secured Notes ⁽³⁾	455.0	26.0	52.0	377.0	—
Senior Notes ⁽³⁾	1,915.1	110.9	221.9	221.9	1,360.4
Senior Subordinated Notes ⁽³⁾	124.8	38.8	15.7	70.3	—
Operating leases ⁽⁴⁾	89.2	17.9	30.9	19.7	20.7
Asset retirement obligations ⁽⁵⁾	0.5	—	0.5	—	—
Total	\$4,417.3	\$258.5	\$449.3	\$815.2	\$2,894.3

(1) Includes only principal payments. Excludes interest payments and fees related to this facility because of variability with respect to the timing of advances and repayments.

Includes future principal and cash interest payments on long-term borrowings through scheduled maturity dates.

(2) Interest payments for variable rate debt were calculated using interest rates as of December 31, 2013. Excluded from these amounts are the amortization of debt issuance and other costs related to indebtedness.

Includes future principal and cash interest payments on long-term borrowings through scheduled maturity dates.

(3) Interest on the Senior Secured Notes, Senior Notes and Senior Subordinated Notes is calculated using the stated interest rate. Excluded from these amounts are the amortization of debt issuance and other costs related to indebtedness. See "Subsequent Events" for a description of refinancing transactions completed during 2014.

(4) Includes the minimum lease payments for non-cancelable leases of properties and equipment used in our operations.

(5) 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.

Inflation

Inflation has not had a material impact on our operating results. We generally have been able to pass along price increases to our customers, though certain economic factors and technological advances in recent years have tended to place downward pressure on pricing. We also have been able to generally offset the effects of inflation on operating costs by continuing to emphasize productivity improvements and by accelerating our overall cash conversion cycle. There can be no assurances, however, that inflation would not have a material impact on our sales or operating costs in the future.

Commitments and Contingencies

We are party to various legal proceedings that arise in the ordinary course of our business, which include commercial, intellectual property, employment, tort and other litigation matters. We are also subject to audit by federal, state and local authorities, and by various 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. 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.

As of December 31, 2013, we do not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, our financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

We previously filed a claim as part of a class action settlement in a case alleging price fixing during the period of January 1, 1996 through December 31, 2006, by certain manufacturers of thin-film liquid crystal display panels. On July 13, 2013, the United States District Court for the Northern District of California approved distribution of the

settlement proceeds, including a net payment to us of \$10.4 million after fees and expenses. We have recognized a pre-tax benefit of \$10.4 million within selling and administrative expenses in the consolidated statement of operations for the year ended December 31, 2013.

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The first of two settlement payments was received by us on July 29, 2013 in the amount of \$8.5 million. The balance of \$1.9 million was received in February 2014.

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 accompanying audited consolidated 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.

Revenues from the sales of hardware products and 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 supplier, 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 partners warrant most of the products we sell.

We leverage drop-shipment 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-shipment arrangements on a gross basis upon delivery to the customer with contract terms that typically specify F.O.B. destination. We recognize revenue on a gross basis as the principal in the transaction because we are the primary obligor in the arrangement, we assume inventory risk if the product is returned by the customer, we set the price of the product charged to the customer, we assume credit risk for the amounts invoiced, and we work closely with our customers to determine their hardware and software specifications. These arrangements generally represent approximately 40% to 50% of total net sales, including approximately 10% to 15% related to electronic delivery for software licenses.

Revenue from professional services is either recognized as provided for services billed at an hourly rate or recognized using a proportional performance model for services provided at a fixed fee. Revenue from cloud computing solutions including Software as a Service ("SaaS") and Infrastructure as a Service ("IaaS") arrangements, as well as data center services such as managed and remote managed services, server co-location, internet connectivity and data backup and storage, 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, warranties, software assurance ("SA") and third-party hosted SaaS and IaaS arrangements. SA is a 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

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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, total arrangement consideration is allocated based upon the relative selling prices of each element. The allocated arrangement consideration is recognized as revenue in accordance with the principles described above. Selling prices are determined by using vendor specific objective evidence (“VSOE”) if it exists. Otherwise, selling prices are determined using third party evidence (“TPE”). If neither VSOE or TPE is available, we use our best estimate of selling prices.

We record freight billed to our customers as net sales and the related freight costs as a cost of sales.

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-shipment 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. Price protection is recorded when earned as a reduction to the cost of inventory. 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

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 inventory, depending on the nature of the incentive. Vendors may change the terms of some or all of these programs, which could have an impact on our results of operations.

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.

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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 have the option of performing a qualitative assessment of a reporting unit's fair value from the last quantitative assessment to determine if it is more likely than not that the reporting unit's goodwill is impaired or performing a quantitative assessment by comparing a reporting unit's estimated fair value to its carrying amount. Under the quantitative assessment, 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.

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.

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Recent Accounting Pronouncements

Disclosure of the Effects of Reclassifications from Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-02, which required that the effects of significant reclassifications from accumulated other comprehensive income to net income be shown parenthetically on the face of the consolidated financial statements or disclosed in a note. The adoption of this new guidance on January 1, 2013 did not have an impact on our consolidated financial position, results of operations or cash flows.

Subsequent Events

We redeemed \$30.0 million and \$20.0 million aggregate principal amounts of Senior Subordinated Notes on January 22, 2014 and February 21, 2014, respectively. The redemption prices were 104.178% of the principal amounts redeemed plus \$1.0 million and \$0.9 million in accrued and unpaid interest to the date of each redemption, respectively. Following these redemptions, \$42.5 million aggregate principal amount of the Senior Subordinated Notes remain outstanding, which we expect to fully redeem during the next six months. In connection with these redemptions, we expect to record a loss on extinguishment of long-term debt of \$2.7 million in the consolidated statement of operations during the first quarter of 2014. This loss represents \$2.1 million in redemption premiums and \$0.6 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Subordinated Notes.

On February 13, 2014, we announced that our board of directors declared a cash dividend on our common stock of \$0.0425 per share. The dividend will be paid on March 10, 2014 to all stockholders of record as of the close of business on February 25, 2014. Future dividends will be subject to the approval of our board of directors.

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Item 7A. Quantitative and Qualitative Disclosures of Market Risks

Our market risks relate primarily to changes in interest rates. The interest rates on borrowings under our senior secured asset-based revolving credit facility and our senior secured term loan facility are floating and, therefore, are subject to fluctuations. In order to manage the risk associated with changes in interest rates on borrowings under our senior secured term loan facility, we have entered into interest rate derivative agreements to economically 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.

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 senior secured term loan facility.

We have interest rate cap agreements in effect through January 14, 2015 with a combined notional amount of \$1,150.0 million. These cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. Of the total \$1,150.0 million notional amount, \$500.0 million entitle us to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period. The remaining cap agreements with a notional amount of \$650.0 million entitle us to payments from the counterparty of the amount, if any, by which the three-month LIBOR exceeds 1.5% during the agreement period.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual Obligations” for information on cash flows, interest rates and maturity dates of our debt obligations.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
CDW Corporation

We have audited the accompanying consolidated balance sheets of CDW Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CDW Corporation and subsidiaries at December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CDW Corporation and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated March 5, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
March 5, 2014

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except per-share amounts)

	December 31,	
	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$188.1	\$37.9
Accounts receivable, net of allowance for doubtful accounts of \$5.4 and \$5.4, respectively	1,451.0	1,285.0
Merchandise inventory	382.0	314.6
Miscellaneous receivables	146.3	148.5
Deferred income taxes	—	14.1
Prepaid expenses and other	46.1	34.6
Total current assets	2,213.5	1,834.7
Property and equipment, net	131.1	142.7
Goodwill	2,220.3	2,209.3
Other intangible assets, net	1,328.0	1,478.5
Deferred financing costs, net	30.1	53.2
Other assets	1.6	1.6
Total assets	\$5,924.6	\$5,720.0
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable-trade	\$662.8	\$518.6
Accounts payable-inventory financing	256.6	249.2
Current maturities of long-term debt	45.4	40.0
Deferred revenue	94.8	57.8
Accrued expenses:		
Compensation	112.2	99.4
Interest	31.8	50.7
Sales taxes	29.2	22.6
Advertising	33.2	33.9
Income taxes	6.3	0.2
Other	130.3	95.8
Total current liabilities	1,402.6	1,168.2
Long-term liabilities:		
Debt	3,205.8	3,731.0
Deferred income taxes	563.5	624.3
Other liabilities	41.0	60.0
Total long-term liabilities	3,810.3	4,415.3
Commitments and contingencies		
Shareholders' equity:		
Preferred shares, \$0.01 par value, 100.0 and no shares authorized, respectively; no shares issued or outstanding for both periods	—	—
Common shares, \$0.01 par value, 1,000.0 and 286.1 shares authorized, respectively; 172.0 and 145.2 shares issued, respectively; 172.0 and 145.1 shares outstanding, respectively	1.7	1.4
Paid-in capital	2,688.1	2,207.7

Accumulated deficit	(1,971.8)	(2,073.0)
Accumulated other comprehensive (loss) income	(6.3)	0.4
Total shareholders' equity	711.7	136.5
Total liabilities and shareholders' equity	\$5,924.6	\$5,720.0

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (in millions, except per-share amounts)

	Years Ended December 31,		
	2013	2012	2011
Net sales	\$10,768.6	\$10,128.2	\$9,602.4
Cost of sales	9,008.3	8,458.6	8,018.9
Gross profit	1,760.3	1,669.6	1,583.5
Selling and administrative expenses	1,120.9	1,029.5	990.1
Advertising expense	130.8	129.5	122.7
Income from operations	508.6	510.6	470.7
Interest expense, net	(250.1)	(307.4)	(324.2)
Net loss on extinguishments of long-term debt	(64.0)	(17.2)	(118.9)
Other income, net	1.0	0.1	0.7
Income before income taxes	195.5	186.1	28.3
Income tax expense	(62.7)	(67.1)	(11.2)
Net income	\$132.8	\$119.0	\$17.1
Net income per common share:			
Basic	\$0.85	\$0.82	\$0.12
Diluted	\$0.84	\$0.82	\$0.12
Weighted-average number of common shares outstanding:			
Basic	156.6	145.1	144.8
Diluted	158.7	145.8	144.9
Cash dividends declared per common share	\$0.0425	\$—	\$—

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (in millions)

	Years Ended December 31,			
	2013	2012	2011	
Net income	\$132.8	\$119.0	\$17.1	
Reclassification of realized loss on interest rate swap agreements from accumulated other comprehensive (loss) income to net income, net of tax	—	—	1.9	
Foreign currency translation adjustment	(6.7) 2.5	(1.8)
Other comprehensive (loss) income, net of tax	(6.7) 2.5	0.1	
Comprehensive income	\$126.1	\$121.5	\$17.2	

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
(in millions)

	Preferred Stock		Common Stock			Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Amount				
Balance at December 31, 2010	—	\$—	144.6	\$ 1.4	\$2,165.3	\$ (2,208.0)	\$ (2.2)	\$ (43.5)	
Equity-based compensation expense	—	—	—	—	19.5	—	—	19.5	
Investment from CDW Holdings LLC	—	—	—	—	1.0	—	—	1.0	
Repurchase of common shares	—	—	—	—	—	(0.4)	—	(0.4)	
Accrued charitable contribution related to the MPK Coworker Incentive Plan II, net of tax	—	—	0.3	—	(1.1)	—	—	(1.1)	
Net income	—	—	—	—	—	17.1	—	17.1	
Reclassification of realized loss on interest rate swap agreements from accumulated other comprehensive loss to net income, net of tax	—	—	—	—	—	—	1.9	1.9	
Foreign currency translation adjustment	—	—	—	—	—	—	(1.8)	(1.8)	
Balance at December 31, 2011	—	\$—	144.9	\$ 1.4	\$2,184.7	\$ (2,191.3)	\$ (2.1)	\$ (7.3)	
Equity-based compensation expense	—	—	—	—	22.1	—	—	22.1	
Investment from CDW Holdings LLC	—	—	—	—	2.8	—	—	2.8	
Repurchase of common shares	—	—	—	—	—	(0.7)	—	(0.7)	
Accrued charitable contribution related to the MPK Coworker Incentive Plan II, net of tax	—	—	0.3	—	(1.4)	—	—	(1.4)	
Incentive compensation plan units withheld for taxes	—	—	—	—	(0.5)	—	—	(0.5)	
Net income	—	—	—	—	—	119.0	—	119.0	
Foreign currency translation adjustment	—	—	—	—	—	—	2.5	2.5	
Balance at December 31, 2012	—	\$—	145.2	\$ 1.4	\$2,207.7	\$ (2,073.0)	\$ 0.4	\$ 136.5	
Equity-based compensation expense	—	—	—	—	46.6	—	—	46.6	
Issuance of common shares	—	—	26.8	0.3	424.4	—	—	424.7	
Repurchase of common shares	—	—	—	—	—	(0.2)	—	(0.2)	
Dividends declared	—	—	—	—	—	(7.3)	—	(7.3)	
	—	—	—	—	9.4	—	—	9.4	

Reclassification to goodwill for accrued charitable contributions								
Incentive compensation plan units withheld for taxes	—	—	—	—	—	(24.1)	—	(24.1)
Net income	—	—	—	—	—	132.8	—	132.8
Foreign currency translation adjustment	—	—	—	—	—	—	(6.7)	(6.7)
Balance at December 31, 2013	—	\$—	172.0	\$ 1.7	\$2,688.1	\$ (1,971.8)	\$ (6.3)	\$ 711.7

The accompanying notes are an integral part of the consolidated financial statements.

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CDW CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income	\$132.8	\$119.0	\$17.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	208.2	210.2	204.9
Equity-based compensation expense	46.6	22.1	19.5
Deferred income taxes	(48.7)	(56.3)	(10.2)
Allowance for doubtful accounts	—	—	0.4
Amortization of deferred financing costs, debt premium, and debt discount, net	8.8	13.6	15.7
Net loss on extinguishments of long-term debt	64.0	17.2	118.9
Realized loss on interest rate swap agreements	—	—	2.8
Mark to market loss on interest rate derivatives	0.1	0.9	4.2
Net loss on sale and disposals of assets	—	0.1	0.3
Other	1.6	—	(0.6)
Changes in assets and liabilities:			
Accounts receivable	(170.8)	(10.4)	(183.4)
Merchandise inventory	(67.5)	7.1	(29.0)
Other assets	(10.1)	(3.8)	50.3
Accounts payable-trade	146.1	0.8	(19.8)
Other current liabilities	64.1	(2.1)	39.6
Long-term liabilities	(8.9)	(1.0)	(16.0)
Net cash provided by operating activities	366.3	317.4	214.7
Cash flows from investing activities:			
Capital expenditures	(47.1)	(41.4)	(45.7)
Cash settlements on interest rate swap agreements	—	—	(6.6)
Premium payments on interest rate cap agreements	—	(0.3)	(3.7)
Net cash used in investing activities	(47.1)	(41.7)	(56.0)
Cash flows from financing activities:			
Proceeds from borrowings under revolving credit facility	63.0	289.0	1,295.0
Repayments of borrowings under revolving credit facility	(63.0)	(289.0)	(1,483.2)
Repayments of long-term debt	(51.1)	(201.0)	(132.0)
Proceeds from issuance of long-term debt	1,535.2	135.7	1,175.0
Payments to extinguish long-term debt	(2,047.4)	(243.2)	(1,175.0)
Payments of debt financing costs	(6.1)	(2.1)	(26.3)
Investment from CDW Holdings LLC, net	—	2.8	1.0
Net change in accounts payable-inventory financing	7.4	(29.5)	250.5
Payment of incentive compensation plan withholding taxes	(24.1)	—	—
Net proceeds from issuance of common shares	424.7	—	—
Repurchase of common shares	(0.2)	(0.7)	(0.4)
Dividends paid	(7.3)	—	—

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Excess tax benefits from equity-based compensation	0.6	—	—
Net cash used in financing activities	(168.3)	(338.0)	(95.4)
Effect of exchange rate changes on cash and cash equivalents	(0.7)	0.3	—
Net increase (decrease) in cash and cash equivalents	150.2	(62.0)	63.3
Cash and cash equivalents – beginning of period	37.9	99.9	36.6
Cash and cash equivalents – end of period	\$188.1	\$37.9	\$99.9
Supplementary disclosure of cash flow information:			
Interest paid	\$(267.6)	\$(302.7)	\$(332.9)
Taxes (paid) refunded, net	\$(82.5)	\$(123.2)	\$20.9
Non-cash investing and financing activities:			
Capital expenditures accrued in accounts payable-trade	\$0.2	\$0.5	\$1.1
The accompanying notes are an integral part of the consolidated financial statements.			

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CDW CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

CDW is a Fortune 500 company and a leading provider of integrated information technology (“IT”) solutions to small, medium and large business, government, education and healthcare customers in the U.S. and Canada. The Company's offerings range from discrete hardware and software products to integrated IT solutions such as mobility, security, data center optimization, cloud computing, virtualization and collaboration.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”).

On October 12, 2007, CDW Corporation, an Illinois corporation, was acquired through a merger transaction by an entity controlled by investment funds affiliated with Madison Dearborn Partners, LLC and Providence Equity Partners L.L.C. (the “Acquisition”). CDW Corporation continued as the surviving corporation and same legal entity after the Acquisition, but became a wholly owned subsidiary of VH Holdings, Inc., a Delaware corporation.

On December 31, 2009, CDW Corporation merged into CDWC LLC, an Illinois limited liability company owned by VH Holdings, Inc., with CDWC LLC as the surviving entity. This change had no impact on the operations or management of the Company. On December 31, 2009, CDWC LLC was renamed CDW LLC (“CDW LLC”). On August 17, 2010, VH Holdings, Inc. was renamed CDW Corporation (“Parent”).

Parent has two 100% owned subsidiaries, CDW LLC and CDW Finance Corporation. CDW LLC is an Illinois limited liability company that, together with its 100% owned subsidiaries, holds all material assets and conducts all business activities and operations of the Company. On August 6, 2010, CDW Finance Corporation, a Delaware corporation, was formed for the sole purpose of acting as co-issuer of certain debt obligations as described in Note 17 and does not hold any material assets or engage in any business activities or operations.

Throughout this report, the terms “the Company” and “CDW” refer to Parent and its 100% owned subsidiaries.

Parent was previously owned directly by CDW Holdings LLC (“CDW Holdings”), a company controlled by investment funds affiliated with Madison Dearborn Partners, LLC (“Madison Dearborn”) and Providence Equity Partners L.L.C. (“Providence Equity,” and together with Madison Dearborn, the “Sponsors”), certain other co-investors and certain members of CDW management. On July 2, 2013, Parent completed an initial public offering (“IPO”) of its common stock. In connection with the IPO, CDW Holdings distributed all of its shares of Parent's common stock to its members in June 2013 in accordance with the members’ respective membership interests and was subsequently dissolved in August 2013. See Note 9 for additional discussion of the IPO.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Parent and its 100% owned subsidiaries. All intercompany transactions and accounts are eliminated in consolidation.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reported periods. The Company bases its estimates on historical experience and on various other assumptions that management believes 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.

Reclassifications

Certain reclassifications have been made to the prior period consolidated financial statements to conform to the current period presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Cash and Cash Equivalents**

Cash and cash equivalents include all deposits in banks and short-term (original maturities of three months or less), highly liquid investments that are readily convertible to known amounts of cash and are so near maturity that there is insignificant risk of changes in value due to interest rate changes.

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and typically do not bear interest. The Company provides allowances for doubtful accounts related to accounts receivable for estimated losses resulting from the inability of its customers to make required payments. The Company takes into consideration the overall quality of the receivable portfolio along with specifically-identified customer risks.

Merchandise Inventory

Inventory is valued at the lower of cost or market value. Cost is determined using a weighted-average cost method. Price protection is recorded when earned as a reduction to the cost of inventory. The Company decreases 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.

Miscellaneous Receivables

Miscellaneous receivables generally consist of amounts due from vendors. The Company receives incentives from vendors related to cooperative advertising allowances, volume rebates, bid programs, price protection and other programs. These incentives generally relate to written vendor agreements with specified performance requirements and are recorded as adjustments to cost of sales or inventory, depending on the nature of the incentive.

Property and Equipment

Property and equipment are stated at cost. The Company calculates depreciation expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their useful lives or the initial lease term. Expenditures for major renewals and improvements that extend the useful life of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The following table shows estimated useful lives of property and equipment:

Classification	Estimated Useful Lives
Machinery and equipment	5 to 10 years
Building and leasehold improvements	5 to 25 years
Computer and data processing equipment	3 to 5 years
Computer software	3 to 5 years
Furniture and fixtures	5 to 10 years

The Company has asset retirement obligations associated with commitments to return property subject to operating leases to its original condition upon lease termination. The Company's asset retirement liability was \$0.5 million as of December 31, 2013 and 2012.

Goodwill and Other Intangible Assets

The Company is 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. The Company's reporting units used to assess potential goodwill impairment are the same as its operating segments. The Company has the option of performing a qualitative assessment of a reporting unit's fair value from the last quantitative assessment to determine if it is more likely than not that the reporting unit's goodwill is impaired or performing a quantitative assessment by comparing a reporting unit's estimated fair value to its carrying amount. Under the quantitative assessment, 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

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CDW CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

combination of an income approach and a market approach, as this combination is considered the most indicative of the Company's fair value in an orderly transaction between market participants. This assessment uses significant accounting judgments, estimates and assumptions. Any changes in the judgments, estimates or assumptions used could produce significantly different results. During the years ended December 31, 2013, 2012 and 2011, the Company recorded no goodwill impairment charges. See Note 4 for more information on the Company's evaluations of goodwill for impairment.

Intangible assets with determinable lives are amortized on a straight-line basis over their respective estimated useful lives. The cost of computer 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 when indicators are present using undiscounted cash flows. The Company uses the undiscounted cash flows, excluding interest charges, to assess the recoverability of the carrying value of such assets. To the extent carrying value exceeds the undiscounted cash flows, an impairment loss is recorded based upon the excess of the carrying value over fair value. In addition, each quarter, the Company evaluates whether events and circumstances warrant a revision to the remaining estimated useful life of each of these intangible assets. If the Company were to determine that a change to the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over that revised remaining useful life. During the years ended December 31, 2013, 2012 and 2011, no impairment existed with respect to the Company's intangible assets with determinable lives and no significant changes to the remaining useful lives were necessary. The following table shows estimated useful lives of definite-lived intangible assets:

Classification	Estimated Useful Lives
Customer relationships	11 to 14 years
Trade name	20 years
Internally developed software	3 to 5 years
Other	1 to 10 years

Deferred Financing Costs

Deferred financing costs, such as underwriting, financial advisory, professional fees and other similar fees are capitalized and recognized in interest expense over the estimated life of the related debt instrument using the effective interest method or straight-line method, as applicable.

Derivatives

The Company has entered into interest rate cap agreements for the purpose of economically hedging its exposure to fluctuations in interest rates. These derivatives are recorded at fair value in the Company's consolidated balance sheets. The Company's interest rate cap agreements are not designated as cash flow hedges of interest rate risk. Changes in fair value of the derivatives are recorded directly to interest expense, net in the Company's consolidated statements of operations.

Fair Value Measurements

Fair value is defined under GAAP as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established for valuation inputs to prioritize the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – observable inputs such as quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

Accumulated Other Comprehensive (Loss) Income

Foreign currency translation adjustments are included in shareholders’ equity under accumulated other comprehensive (loss) income.

The components of accumulated other comprehensive (loss) income are as follows:

(in millions)	December 31,		
	2013	2012	2011
Foreign currency translation adjustment	\$(6.3)	\$0.4	\$(2.1)
Accumulated other comprehensive (loss) income	\$(6.3)	\$0.4	\$(2.1)

Revenue Recognition

The Company is a primary distribution channel for a large group of vendors and suppliers, including original equipment manufacturers (“OEMs”), software publishers and wholesale distributors. The Company records revenue from sales transactions when title and risk of loss are passed to the 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. The Company's shipping terms typically specify F.O.B. destination, at which time title and risk of loss have passed to the customer.

Revenues from the sales of hardware products and 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 the Company's warehouse, (ii) via drop-shipment by the vendor or supplier, or (iii) via electronic delivery for software licenses. At the time of sale, the Company records an estimate for sales returns and allowances based on historical experience. The Company's vendor partners warrant most of the products the Company sells.

The Company leverages drop-shipment arrangements with many of its vendors and suppliers to deliver products to its customers without having to physically hold the inventory at its warehouses, thereby increasing efficiency and reducing costs. The Company recognizes revenue for drop-shipment arrangements on a gross basis upon delivery to the customer with contract terms that typically specify F.O.B. destination.

Revenue from professional services is either recognized as provided for services billed at an hourly rate or recognized using a proportional performance model for services provided at a fixed fee. Revenue from cloud computing solutions including Software as a Service (“SaaS”) and Infrastructure as a Service (“IaaS”) arrangements, as well as data center services such as managed and remote managed services, server co-location, internet connectivity and data backup and storage, is recognized over the period service is provided.

The Company also sells certain products for which it acts as an agent. Products in this category include the sale of third-party services, warranties, software assurance (“SA”) and third-party hosted SaaS and IaaS arrangements. SA is a 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.

The Company's larger customers are offered the opportunity by certain of its 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, the Company's vendors will transfer the license and bill the customer directly, paying resellers such as the Company an agency fee or commission on these sales. The Company records these fees as a component of net sales as earned and there is no corresponding cost of sales amount. In certain instances, the Company bills the customer directly under an EA and accounts for the

individual items sold based on the nature of the item. The Company's vendors typically dictate how the EA will be sold to the customer.

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From time to time, the Company sells some of its 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, total arrangement consideration is allocated based upon the relative selling prices of each element. The allocated arrangement consideration is recognized as revenue in accordance with the principles described above. Selling prices are determined by using vendor specific objective evidence (“VSOE”) if it exists. Otherwise, selling prices are determined using third party evidence (“TPE”). If neither VSOE or TPE is available, the Company uses its best estimate of selling prices.

The Company records freight billed to its customers as net sales and the related freight costs as a cost of sales.

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.

The Company performs 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-shipment arrangements. This analysis is the basis upon which the Company estimates the amount of sales in-transit at the end of the period and adjusts 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 the Company's revenue recognition for the period.

Sales Taxes

Sales tax amounts collected from customers for remittance to governmental authorities are presented on a net basis in the Company's consolidated statements of operations.

Advertising

Advertising costs are generally charged to expense in the period incurred. Cooperative reimbursements from vendors are recorded in the period the related advertising expenditure is incurred. The Company classifies vendor consideration as a reduction to cost of sales.

Equity-Based Compensation

The Company measures all equity-based payments using a fair-value-based method and records compensation expense over the requisite service period in its consolidated financial statements. Forfeiture rates have been developed based upon historical experience.

Interest Expense

Interest expense is typically recognized in the period incurred at the applicable interest rate in effect. For increasing-rate debt, the Company determines the periodic interest cost using the effective interest method over the estimated outstanding term of the debt. The difference between interest expense recorded and cash interest paid is reflected as short-term or long-term accrued interest in the Company's consolidated balance sheets.

Foreign Currency Translation

The Company's functional currency is the U.S. dollar. The functional currency of the Company's Canadian subsidiary is the local currency, the Canadian dollar. Assets and liabilities of this subsidiary are translated at the spot rate in effect at the applicable reporting date and the consolidated results of operations are translated at the average exchange rates in effect during the applicable period. The resulting foreign currency translation adjustment is recorded as accumulated other comprehensive (loss) income, which is reflected as a separate component of shareholders' equity.

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. The Company performs an evaluation of the realizability of deferred tax assets on a quarterly basis. This evaluation requires management to make use of estimates and 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 the Company operates, and prudent and feasible tax planning strategies.

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The Company accounts for unrecognized tax benefits based upon its assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company reports a liability for unrecognized tax benefits resulting from unrecognized tax benefits taken or expected to be taken in a tax return and recognizes interest and penalties, if any, related to its unrecognized tax benefits in income tax expense.

2. Recent Accounting Pronouncements

Disclosure of the Effects of Reclassifications from Accumulated Other Comprehensive Income

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update 2013-02, which required that the effects of significant reclassifications from accumulated other comprehensive income to net income be shown parenthetically on the face of the consolidated financial statements or disclosed in a note. The adoption of this new guidance on January 1, 2013 did not have an impact on the Company's consolidated financial position, results of operations or cash flows.

3. Property and Equipment

Property and equipment consisted of the following:

(in millions)	December 31,	
	2013	2012
Land	\$27.7	\$27.7
Machinery and equipment	53.0	50.9
Building and leasehold improvements	104.8	104.0
Computer and data processing equipment	61.2	56.4
Computer software	30.9	30.2
Furniture and fixtures	21.6	21.6
Construction in progress	10.9	11.9
Total property and equipment	310.1	302.7
Less accumulated depreciation	179.0	160.0
Net property and equipment	\$131.1	\$142.7

During 2013, 2012 and 2011, the Company recorded disposals of \$7.9 million, \$12.2 million and \$10.5 million, respectively, to remove assets that were no longer in use from property and equipment. The Company recorded a pre-tax loss of \$0.0 million, \$0.1 million and \$0.3 million in 2013, 2012 and 2011, respectively, for certain disposed assets that were not fully depreciated.

Depreciation expense for the years ended December 31, 2013, 2012 and 2011 was \$27.2 million, \$32.0 million and \$31.3 million, respectively.

4. Goodwill and Other Intangible Assets

As described in Note 1, the Company is 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. The Company's reporting units used to assess potential goodwill impairment are the same as its operating segments. The Company has two reportable segments: Corporate, which is comprised primarily of business customers, and Public, which is comprised of government entities and education and healthcare institutions. The Company also has 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" for segment reporting purposes. The Company has the option of performing a qualitative assessment of a reporting unit's fair value from the last quantitative assessment to determine if it is more likely than not that the reporting unit's goodwill is impaired or performing a quantitative assessment by comparing a reporting unit's estimated fair value to its carrying amount. Under the quantitative assessment, 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 Company's fair value in an orderly transaction between market participants. Under the income

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CDW CORPORATION AND SUBSIDIARIES

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approach, the Company determined 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, the Company utilized valuation multiples derived from publicly available information for guideline companies to provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. The valuation multiples were applied to the reporting units. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including revenue growth rates, gross margins, operating margins, discount rates and future market conditions, among others.

December 1, 2013 Evaluation

The Company performed its annual evaluation of goodwill as of December 1, 2013 by utilizing a quantitative assessment for all reporting units. All reporting units passed the first step of the goodwill evaluation (with the fair value exceeding the carrying value by 107%, 82%, 167% and 168% for the Corporate, Public, Canada and CDW Advanced Services reporting units, respectively) and, accordingly, the Company was not required to perform the second step of the goodwill evaluation.

To determine the fair value of the reporting units, the Company used a 75%/25% weighting of the income approach and market approach, respectively. Under the income approach, the Company estimated future cash flows of each reporting unit based on internally generated forecasts for the remainder of 2013 and the next six years. The Company used a 3.5% long-term assumed consolidated annual revenue growth rate for periods after the six-year forecast. The estimated future cash flows for the Corporate and Public reporting units were discounted at 10.0%; cash flows for the Canada and CDW Advanced Services reporting units were discounted at 10.3% and 10.5%, respectively, based on the future growth rates assumed in the discounted cash flows. Discount rates utilized during the 2013 goodwill evaluation declined compared to those used in 2012 as a result of the market performance of the Company's common stock and a lower equity risk premium.

December 1, 2012 Evaluation

The Company performed its annual evaluation of goodwill as of December 1, 2012 by utilizing a quantitative assessment for all reporting units. All reporting units passed the first step of the goodwill evaluation (with the fair value exceeding the carrying value by 49%, 44%, 104% and 17% for the Corporate, Public, Canada and CDW Advanced Services reporting units, respectively) and, accordingly, the Company was not required to perform the second step of the goodwill evaluation.

To determine the fair value of the reporting units, the Company used a 75%/25% weighting of the income approach and market approach, respectively. Under the income approach, the Company estimated future cash flows of each reporting unit based on internally generated forecasts for the remainder of 2012 and the next six years. The Company used a 3.5% long-term assumed consolidated annual revenue growth rate for periods after the six-year forecast. The estimated future cash flows for the Corporate and Public reporting units were discounted at 11.5%; cash flows for the Canada and CDW Advanced Services reporting units were discounted at 11.8% and 12.0%, respectively, based on the future growth rates assumed in the discounted cash flows.

December 1, 2011 Evaluation

The Company performed its annual evaluation of goodwill as of December 1, 2011 by utilizing a quantitative assessment for all reporting units. All reporting units passed the first step of the goodwill evaluation (with the fair value exceeding the carrying value by 43%, 27%, 159% and 17%, for the Corporate, Public, Canada and CDW Advanced Services reporting units, respectively) and, accordingly, the Company was not required to perform the second step of the goodwill evaluation.

To determine the fair value of the reporting units, the Company used a 75%/25% weighting of the income approach and market approach, respectively. Under the income approach, the Company estimated future cash flows of each reporting unit based on internally generated forecasts for the remainder of 2011 and the next six years. The Company used a 3.5% long-term assumed consolidated annual revenue growth rate for periods after the six-year forecast. The estimated future cash flows for the Corporate, Public and CDW Advanced Services reporting units were discounted at

11.5%; cash flows for the Canada reporting unit were discounted at 12.0% given inherent differences in the business model and risk profile.

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The following table presents the change in goodwill by segment for the years ended December 31, 2013 and 2012:

(in millions)	Corporate	Public	Other ⁽¹⁾	Consolidated
Balances as of December 31, 2011:				
Goodwill	\$2,794.4	\$1,261.4	\$106.4	\$4,162.2
Accumulated impairment charges	(1,571.4)	(354.1)	(28.3)	(1,953.8)
	\$1,223.0	\$907.3	\$78.1	\$2,208.4
2012 Activity:				
Translation adjustment	\$—	\$—	\$0.9	\$0.9
	\$—	\$—	\$0.9	\$0.9
Balances as of December 31, 2012:				
Goodwill	\$2,794.4	\$1,261.4	\$107.3	\$4,163.1
Accumulated impairment charges	(1,571.4)	(354.1)	(28.3)	(1,953.8)
	\$1,223.0	\$907.3	\$79.0	\$2,209.3
2013 Activity:				
Translation adjustment	\$—	\$—	\$(2.1)	\$(2.1)
Contingent consideration ⁽²⁾	8.8	4.0	0.3	13.1
	\$8.8	\$4.0	\$(1.8)	\$11.0
Balances as of December 31, 2013:				
Goodwill	\$2,803.2	\$1,265.4	\$105.5	\$4,174.1
Accumulated impairment charges	(1,571.4)	(354.1)	(28.3)	(1,953.8)
	\$1,231.8	\$911.3	\$77.2	\$2,220.3

(1) Other is comprised of CDW Advanced Services and Canada reporting units.

(2) During 2013, the Company recorded a \$13.1 million net-of-tax addition to goodwill in connection with the settlement of the MPK Coworker Incentive Plan II and related charitable contribution. The charitable contribution was accounted for as additional purchase price (goodwill) in accordance with pre-2009 business combinations accounting guidance. See Note 10 for additional discussion of this transaction.

The following table presents a summary of intangible assets at December 31, 2013 and 2012:

(in millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
December 31, 2013			
Customer relationships	\$1,860.8	\$872.8	\$988.0
Trade name	421.0	130.9	290.1
Internally developed software	128.5	79.8	48.7
Other	3.1	1.9	1.2
Total	\$2,413.4	\$1,085.4	\$1,328.0
December 31, 2012			
Customer relationships	\$1,861.7	\$733.3	\$1,128.4
Trade name	421.0	109.9	311.1
Internally developed software	97.4	60.1	37.3
Other	3.3	1.6	1.7
Total	\$2,383.4	\$904.9	\$1,478.5

Amortization expense related to intangible assets for the years ended December 31, 2013, 2012 and 2011 was \$181.0 million, \$178.2 million and \$173.5 million, respectively.

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Estimated future amortization expense related to intangible assets for the next five years is as follows:

(in millions)

Years ending December 31,

2014	\$179.0
2015	171.7
2016	163.9
2017	161.5
2018	161.3

5. Inventory Financing Agreements

The Company has entered into agreements with certain financial intermediaries to facilitate the purchase of inventory from various suppliers under certain terms and conditions, as described below. These amounts are classified separately as accounts payable-inventory financing on the accompanying consolidated balance sheets. The Company does not incur any interest expense associated with these agreements as balances are paid when they are due.

The following table presents the amounts included in accounts payable-inventory financing:

(in millions)

	December 31,	
	2013	2012
Revolving Loan inventory financing agreement	\$256.1	\$248.3
Other inventory financing agreements	0.5	0.9
Accounts payable-inventory financing	\$256.6	\$249.2

The Company maintains a senior secured asset-based revolving credit facility as described in Note 7, which incorporates a \$400.0 million floorplan sub-facility to facilitate the purchase of inventory from a certain vendor. In connection with the floorplan sub-facility, the Company maintains an inventory financing agreement on an unsecured basis with a financial intermediary to facilitate the purchase of inventory from this vendor (the "Revolving Loan inventory financing agreement"). Amounts outstanding under the Revolving Loan inventory financing agreement are unsecured and non-interest bearing. At December 31, 2013 and 2012, the Company reported \$256.1 million and \$248.3 million, respectively, for this agreement within accounts payable-inventory financing on the consolidated balance sheets.

The Company also maintains other inventory financing agreements with financial intermediaries to facilitate the purchase of inventory from certain vendors. At December 31, 2013 and 2012, amounts owed under other inventory financing agreements of \$0.5 million and \$0.9 million, respectively, were collateralized by the inventory purchased under these financing agreements and a second lien on the related accounts receivable.

6. Lease Commitments

The Company is obligated under various non-cancelable operating lease agreements for office facilities that generally provide for minimum rent payments and a proportionate share of operating expenses and property taxes and include certain renewal and expansion options. For the years ended December 31, 2013, 2012 and 2011, rent expense under these lease arrangements was \$20.7 million, \$22.4 million and \$21.6 million, respectively.

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Future minimum lease payments are as follows:

(in millions)

Years ending December 31,

2014	\$17.9
2015	17.7
2016	13.2
2017	10.7
2018	9.0
Thereafter	20.7
Total future minimum lease payments	\$89.2

7. Long-Term Debt

Long-term debt was as follows:

(dollars in millions)

	Interest Rate ⁽¹⁾	December 31,	
		2013	2012
Senior secured asset-based revolving credit facility	—	% \$—	\$—
Senior secured term loan facility	3.25	% 1,528.9	1,339.5
Unamortized discount on senior secured term loan facility		(4.4) —
Senior secured notes due 2018	8.0	% 325.0	500.0
Senior notes due 2019	8.5	% 1,305.0	1,305.0
Unamortized premium on senior notes due 2019		4.2	5.0
Senior subordinated notes due 2017	12.535	% 92.5	621.5
Total long-term debt		3,251.2	3,771.0
Less current maturities of long-term debt		(45.4	) (40.0
Long-term debt, excluding current maturities		\$3,205.8	\$3,731.0

(1) Interest rate at December 31, 2013.

At December 31, 2013, the Company was in compliance with the covenants under its various credit agreements and indentures as described below. Under the indentures governing the 8.5% Senior Notes due 2019 and 8.0% Senior Secured Notes due 2018, which contain the most restrictive restricted payment provisions in the Company's various credit agreements and indentures, CDW LLC and its restricted subsidiaries are generally restricted from paying dividends and making other restricted payments unless CDW LLC could incur an additional dollar of indebtedness under its fixed charges ratio covenant and the amount of such dividend or other restricted payment, together with the amount of all other dividends and restricted payments made from January 1, 2011 through the end of the most recently ended fiscal quarter, is less than the sum of 50% of cumulative consolidated net income or 100% of any consolidated net loss incurred over the period plus the amount of certain other items occurring during that period that increase (and in some cases decrease) the amounts available for such payments. For the purpose of determining restricted payment capacity, consolidated net income or loss includes certain adjustments that are defined in the indentures. At December 31, 2013, the amount of cumulative consolidated net income free of restrictions under the credit agreements and indentures ("Restricted Payment Capacity") was \$148.0 million. However, the subsequent events transactions described in Note 19 have since reduced the Restricted Payment Capacity to approximately \$89 million.

Senior Secured Asset-Based Revolving Credit Facility ("Revolving Loan")

At December 31, 2013, the Company had no outstanding borrowings under the Revolving Loan, \$2.2 million of undrawn letters of credit and \$256.7 million reserved related to the floorplan sub-facility.

On June 24, 2011, the Company entered into the Revolving Loan, a five-year \$900.0 million senior secured asset-based revolving credit facility, with the facility being available to the Company for borrowings, issuance of letters of credit and floorplan financing for certain vendor products. The Revolving Loan matures on June 24, 2016. The Revolving Loan replaced the Company's previous revolving loan credit facility that was to mature on October 12, 2012. In connection with the termination of the previous facility, the Company recorded a loss on extinguishment of

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long-term debt of \$1.6 million in the Company's consolidated statement of operations for the year ended December 31, 2011, representing a write-off of a portion of unamortized deferred financing costs. Fees of \$7.2 million related to the Revolving Loan were capitalized as deferred financing costs and are being amortized over the term of the facility on a straight-line basis.

As described in Note 5, the Company has entered into agreements with certain financial intermediaries to facilitate the purchase of inventory from various suppliers. In connection with the floorplan sub-facility, the Company entered into the Revolving Loan inventory financing agreement. Amounts outstanding under the Revolving Loan inventory financing agreement are unsecured and noninterest bearing. The Company will either pay the outstanding Revolving Loan inventory financing agreement amounts when they become due, or the Revolving Loan's administrative agent will automatically initiate an advance on the Revolving Loan and use the proceeds to pay the balance on the due date. At December 31, 2013, the financial intermediary reported an outstanding balance of \$246.8 million under the Revolving Loan inventory financing agreement. The total amount reported on the Company's consolidated balance sheet as accounts payable-inventory financing related to the Revolving Loan inventory financing agreement is \$9.3 million more than the \$246.8 million owed to the financial intermediary due to differences in the timing of reporting activity under the Revolving Loan inventory financing agreement. The outstanding balance reported by the financial intermediary excludes \$9.9 million in reserves for open orders that reduce the availability under the Revolving Loan. Changes in cash flows from the Revolving Loan inventory financing agreement are reported in financing activities on the Company's consolidated statements of cash flows.

Borrowings under the Revolving Loan 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 or (c) the 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 the Company's average daily excess cash availability under the agreement and is subject to a reduction of 0.25% if, and for as long as, the senior secured leverage ratio is less than 3.0. The senior secured leverage ratio is defined as the ratio of senior secured debt (including amounts owed under certain inventory floorplan arrangements) less cash and cash equivalents, to Adjusted EBITDA, a non-GAAP measure, for the four most recently ended fiscal quarters. For the four quarters ended December 31, 2013, the senior secured leverage ratio was 2.1.

Availability under the Revolving Loan 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 inventory 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 December 31, 2013, the borrowing base was \$1,065.5 million based on the amount of eligible inventory and accounts receivable balances as of November 30, 2013. The Company could have borrowed up to an additional \$641.1 million under the Revolving Loan at December 31, 2013. The fee on the unused portion of the Revolving Loan ranges from 25 basis points to either 37.5 or 50 basis points, depending on the amount of utilization.

CDW LLC is the borrower under the Revolving Loan. All obligations under the Revolving Loan are guaranteed by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries. Borrowings under the Revolving Loan are collateralized by a first priority interest in inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 5), deposits, and accounts receivable, and a second priority interest in substantially all other assets. The Revolving Loan 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, 100% 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 Revolving Loan also includes maintenance of a minimum average daily excess cash availability requirement. Should the

Company fall below the minimum average daily excess cash availability requirement for five consecutive business days, the Company becomes subject to a fixed charge coverage ratio until such time as the daily excess cash availability requirement is met for 30 consecutive business days.

Senior Secured Term Loan Facility

On April 29, 2013, the Company entered into a new seven-year, \$1,350.0 million aggregate principal amount senior secured term loan facility (the "Term Loan"). The Term Loan was issued at a price that was 99.75% of par, which

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resulted in a discount of \$3.4 million. Substantially all of the proceeds from the Term Loan were used to repay the \$1,299.5 million outstanding aggregate principal amount of the prior senior secured term loan facility (the "Prior Term Loan Facility"). In connection with this refinancing, the Company recorded a loss on extinguishment of long-term debt of \$10.3 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented a write-off of the remaining unamortized deferred financing costs related to the Prior Term Loan Facility. On July 31, 2013, the Company borrowed an additional \$190.0 million aggregate principal amount under the Term Loan at a price that was 99.25% of par, which resulted in a discount of \$1.4 million. Such proceeds were used to redeem a portion of outstanding Senior Subordinated Notes. The discounts are reported on the consolidated balance sheet as a reduction to the face amount of the Term Loan and are being amortized to interest expense over the term of the related debt. Fees of \$6.1 million related to the Term Loan were capitalized as deferred financing costs and are being amortized over the term of the facility using the effective interest method.

Borrowings under the Term Loan bear interest at either (a) the alternate base rate ("ABR") plus a margin or (b) LIBOR plus a margin; provided that for the purposes of the Term Loan, LIBOR shall not be less than 1.00% per annum at any time ("LIBOR Floor"). The margin is based upon a net leverage ratio as defined in the agreement governing the Term Loan, ranging from 1.25% to 1.50% for ABR borrowings and 2.25% to 2.50% for LIBOR borrowings. An interest rate of 3.25%, LIBOR Floor plus a 2.25% margin, was in effect during the three-month period ended December 31, 2013.

Unlike the Prior Term Loan Facility, the Term Loan does not include a senior secured leverage ratio requirement or a hedging requirement. Additionally, the definition of debt under the Term Loan was revised to exclude amounts outstanding under the Company's inventory financing agreements. The Term Loan is subject to certain requirements as was the Prior Term Loan Facility to make mandatory annual excess cash flow prepayments under designated circumstances, including (i) a prepayment in an amount equal to 50% of the Company's excess cash flow for a fiscal year (the percentage rate of which decreases to 25% when the total net leverage ratio, as defined in the governing agreement, is less than or equal to 5.5 but greater than 4.5; and decreases to 0% when the total net leverage ratio is less than or equal to 4.5), and (ii) the net cash proceeds from the incurrence of certain additional indebtedness by the Company or its subsidiaries. The total net leverage ratio was 3.8 at December 31, 2013.

The Company is required to pay quarterly principal installments equal to 0.25% of the original principal amount of the Term Loan, with the remaining principal amount payable on the maturity date of April 29, 2020. The quarterly principal installment payments commenced during the quarter ended June 30, 2013. At December 31, 2013, the outstanding principal amount of the Term Loan was \$1,528.9 million, excluding \$4.4 million in unamortized discount. The Company has interest rate cap agreements in effect through January 14, 2015 with a combined notional amount of \$1,150.0 million. These cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. Of the total \$1,150.0 million notional amount, \$500.0 million entitle the Company to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds 3.5% during the agreement period. The remaining cap agreements with a notional amount of \$650.0 million entitle the Company to payments from the counterparty of the amount, if any, by which the three-month LIBOR exceeds 1.5% during the agreement period. The fair value of the Company's interest rate cap agreements was zero at December 31, 2013 and \$0.1 million at December 31, 2012.

During the first quarters of 2013, 2012 and 2011, the Company made principal prepayments totaling \$40.0 million, \$201.0 million and \$132.0 million, respectively, under the Prior Term Loan Facility. These prepayments satisfied the excess cash flow payment provision of the Prior Term Loan Facility with respect to the years ended December 31, 2012, 2011 and 2010, respectively.

On March 11, 2011, the Company entered into an amendment to the Prior Term Loan Facility, which became effective on March 14, 2011. In connection with this amendment, the Company recorded a loss on extinguishment of long-term debt of \$3.2 million in the Company's consolidated statement of operations for the year ended December 31, 2011. This loss represented a write-off of a portion of the unamortized deferred financing costs related to the Prior Term Loan Facility.

CDW LLC is the borrower under the Term Loan. All obligations under the Term Loan are guaranteed by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries. The Term Loan is collateralized by a second priority interest in substantially all inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 5), deposits, and accounts receivable, and by a first priority interest in substantially all other assets. The Term Loan 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, 100% owned, domestic subsidiaries to dispose of

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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.

8.0% Senior Secured Notes due 2018 (“Senior Secured Notes”)

The Senior Secured Notes were issued on December 17, 2010 and will mature on December 15, 2018. At December 31, 2013, the outstanding principal amount of the Senior Secured Notes was \$325.0 million.

On July 2, 2013, the Company used a portion of the net proceeds from the IPO to redeem \$175.0 million aggregate principal amount of Senior Secured Notes. The redemption price of the Senior Secured Notes was 108.0% of the principal amount redeemed, plus \$0.7 million of accrued and unpaid interest to the date of redemption. The Company used cash on hand to pay such accrued and unpaid interest. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of \$16.7 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$14.0 million in redemption premium and \$2.7 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Secured Notes.

CDW LLC and CDW Finance Corporation 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, 100% owned, domestic subsidiaries. The Senior Secured Notes are secured on a pari passu basis with the Term Loan by a second priority interest in substantially all inventory (excluding inventory collateralized under the inventory floorplan arrangements as described in Note 5), deposits, and accounts receivable, and by a first priority interest in substantially all other assets. The Senior Secured Note indenture 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, 100% 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 Senior Secured Note indenture does not contain any financial covenants.

11.0% Senior Exchange Notes due 2015 (“Senior Exchange Notes”); 11.5% / 12.25% Senior PIK Election Exchange Notes due 2015 (“PIK Election Notes” together with the Senior Exchange Notes, the “Senior Notes due 2015”)

At December 31, 2013, there were no outstanding Senior Notes due 2015.

On April 13, 2011, the Company completed a cash tender offer (the “Initial Senior Notes due 2015 Tender Offer”) and purchased \$665.1 million aggregate principal amount of Senior Notes due 2015 comprised of \$519.2 million of the Senior Exchange Notes and \$145.9 million of the PIK Election Notes. The Company concurrently issued \$725.0 million aggregate principal amount of Senior Notes (as defined below). The proceeds from this offering, together with cash on hand and borrowings under the then-outstanding revolving loan credit facility, were used to fund the purchase of the tendered Senior Notes due 2015, including \$665.1 million aggregate principal amount of Senior Notes due 2015, \$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, the Company completed a follow-on cash tender offer (the “Follow-on Senior Notes due 2015 Tender Offer,” and together with the Initial Senior Notes due 2015 Tender Offer, the “Senior Notes due 2015 Tender Offers”) and purchased an additional \$412.8 million aggregate principal amount of Senior Notes due 2015 comprised of \$321.4 million of the Senior Exchange Notes and \$91.4 million of the PIK Election Notes. The Company 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 revolving loan credit facility, were used to fund the purchase of the tendered Senior Notes due 2015, including \$412.8 million aggregate principal amount of Senior Notes due 2015, \$37.2 million in tender offer premium and \$4.5 million of accrued and unpaid interest, along with transaction fees and expenses.

In connection with the Senior Notes due 2015 Tender Offers, the Company recorded a loss on extinguishment of long-term debt of \$114.1 million in the Company's consolidated statement of operations for the year ended December 31, 2011. This loss represented \$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 Senior Notes due 2015. 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 effective interest method.

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On February 2, 2012, the Company commenced a tender offer to purchase any and all of the remaining \$129.0 million aggregate principal amount of Senior Notes due 2015. On February 17, 2012, the Company accepted for purchase \$120.6 million aggregate principal amount of the outstanding Senior Notes due 2015 that were tendered. On March 5, 2012, the Company accepted for purchase an additional \$0.1 million aggregate principal amount of the outstanding Senior Notes due 2015 that were tendered prior to the expiration of the tender offer on March 2, 2012. On March 19, 2012, the Company redeemed the remaining \$8.3 million aggregate principal amount that was not tendered. The Company funded the purchases and redemptions of the Senior Notes due 2015 with the issuance of \$130.0 million aggregate principal amount of additional Senior Notes on February 17, 2012. The proceeds from this issuance, together with cash on hand and borrowings under the Revolving Loan, funded the payment of \$129.0 million aggregate principal amount of Senior Notes due 2015, \$7.9 million in tender and redemption premiums and \$5.0 million of accrued and unpaid interest, along with transaction fees and expenses.

In connection with these transactions, the Company recorded a loss on extinguishment of long-term debt of \$9.4 million in the Company's consolidated statement of operations for the year ended December 31, 2012. This loss represented \$7.9 million in tender and redemption premiums and \$1.5 million for the write-off of the remaining unamortized deferred financing costs related to the Senior Notes due 2015.

8.5% Senior Notes due 2019 ("Senior Notes")

At December 31, 2013, the outstanding principal amount of Senior Notes was \$1,305.0 million, excluding \$4.2 million in unamortized premium. The Senior Notes mature on April 1, 2019.

On February 17, 2012, the Company issued \$130.0 million aggregate principal amount of additional Senior Notes at an issue price of 104.375% of par. The \$5.7 million premium received is reported on the consolidated balance sheet as an addition to the face amount of the Senior Notes and is being amortized as a reduction of interest expense over the term of the related debt.

As discussed above, on April 13, 2011, the Company issued \$725.0 million aggregate principal amount of Senior Notes and on May 20, 2011, the Company issued an additional \$450.0 million aggregate principal amount of Senior Notes. The proceeds from these issuances together with cash on hand and borrowings under the then-outstanding revolving loan credit facility were used to fund the Senior Notes due 2015 Tender Offers.

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, 100% owned, domestic subsidiaries. The Senior Note indenture 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, 100% 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 Senior Notes do not contain any financial covenants.

12.535% Senior Subordinated Exchange Notes due 2017 ("Senior Subordinated Notes")

At December 31, 2013, the outstanding principal amount of the Senior Subordinated Notes was \$92.5 million. The Senior Subordinated Notes have a maturity date of October 12, 2017.

On October 18, 2013, the Company redeemed \$155.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 104.178% of the principal amount redeemed. A combination of cash on hand and the net proceeds from the sale of shares of common stock related to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO, in the amount of \$56.0 million, was used to fund the redemption of \$155.0 million aggregate principal amount, \$6.5 million of redemption premium and \$0.2 million in accrued and unpaid interest to the date of redemption. See Note 9 for additional discussion of the underwriters' overallotment option. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of \$8.5 million in the Company's consolidated statement of operations for the year ended December 31, 2013. This loss represented \$6.5 million in redemption premium and \$2.0 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes.

On August 1, 2013, the Company redeemed \$324.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. The Company used a portion of the net

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proceeds from the IPO to redeem \$146.0 million aggregate principal amount of Senior Subordinated Notes and incremental borrowings of \$190.0 million under the Term Loan to redeem \$178.0 million aggregate principal amount of Senior Subordinated Notes. The Company used cash on hand to pay \$12.0 million of accrued and unpaid interest to the date of redemption. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of \$24.6 million in the consolidated statement of operations for the year ended December 31, 2013. This loss represented \$20.3 million in redemption premium and \$4.3 million for the write-off of a portion of the remaining deferred financing costs related to the Senior Subordinated Notes.

On March 8, 2013, the Company redeemed \$50.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. Cash on hand was used to fund the redemption of \$50.0 million aggregate principal amount, \$3.1 million of redemption premium and \$2.5 million in accrued and unpaid interest to the date of redemption. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of \$3.9 million in the Company's consolidated statement of operations for the year ended December 31, 2013. This loss represented \$3.1 million in redemption premium and \$0.8 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes. On December 21, 2012, the Company redeemed \$100.0 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 106.268% of the principal amount redeemed. Cash on hand was used to fund the redemption of \$100.0 million aggregate principal amount, \$6.3 million of redemption premium and \$2.3 million in accrued and unpaid interest to the date of redemption. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of \$7.8 million in the Company's consolidated statement of operations for the year ended December 31, 2012. This loss represented \$6.3 million in redemption premium and \$1.5 million for the write-off of a portion of the remaining unamortized deferred financing costs related to the Senior Subordinated Notes. CDW LLC and CDW Finance Corporation are the co-issuers of the Senior Subordinated Notes. Obligations under the Senior Subordinated Notes are guaranteed on an unsecured senior basis by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries. The Senior Subordinated Note indenture 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, 100% 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 Senior Subordinated Notes do not contain any financial covenants.

Long-Term Debt Maturities

As of December 31, 2013, the maturities of long-term debt were as follows:

(in millions)

Years ending December 31,	
2014	\$45.4
2015	15.4
2016	15.4
2017	77.9
2018	340.4
Thereafter	2,756.9
	\$3,251.4

See Note 19 for a description of refinancing transactions completed during 2014.

Fair Value

The fair value of the Company's long-term debt instruments at December 31, 2013 was \$3,415.2 million. The fair value of the Senior Secured Notes, Senior Notes and Senior Subordinated Notes is estimated using quoted market prices for identical assets or liabilities that are traded in over-the-counter secondary markets that are not considered active. The fair value of the Term Loan is estimated using dealer quotes for identical assets or liabilities in markets that are not considered active. Consequently, the Company's long-term debt is classified as Level 2 within the fair

value hierarchy.

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At December 31, 2013, the carrying value of the Company's long-term debt was \$3,251.4 million, excluding \$4.2 million in unamortized premium and \$4.4 million in unamortized discount.

Deferred Financing Costs

The following table summarizes the deferred financing costs activity for the years ended December 31, 2013 and 2012:

(in millions)	December 31,	
	2013	2012
Beginning balance	\$53.2	\$68.5
Additional costs capitalized	6.1	2.1
Recognized in interest expense	(9.1	) (14.4
Write-off of unamortized deferred financing costs	(20.1	) (3.0
Ending balance	\$30.1	\$53.2

As of December 31, 2013 and December 31, 2012, the weighted-average remaining life of unamortized deferred financing costs was 4.9 and 5.1 years, respectively.

8. Income Taxes

Income before income taxes was taxed under the following jurisdictions:

(in millions)	Years Ended December 31,		
	2013	2012	2011
Domestic	\$179.4	\$170.3	\$11.4
Foreign	16.1	15.8	16.9
Total	\$195.5	\$186.1	\$28.3

Components of the income tax expense (benefit) consisted of the following:

(in millions)	Years Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$96.7	\$110.3	\$17.9
State	10.1	8.0	(0.6
Foreign	4.6	5.1	4.1
Total current	111.4	123.4	21.4
Deferred:			
Domestic	(48.6	) (56.2	) (9.9
Foreign	(0.1) (0.1) (0.3
Total deferred	(48.7) (56.3) (10.2
Income tax expense	\$62.7	\$67.1	\$11.2

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The reconciliation between the statutory tax rate expressed as a percentage of income before income taxes and the effective tax rate is as follows:

(dollars in millions)	Years Ended December 31,								
	2013			2012			2011		
Statutory federal income tax rate	\$68.4	35.0	%	\$65.1	35.0	%	\$9.9	35.0	%
State taxes, net of federal effect	(5.0	) (2.6	)	0.4	0.2	(3.4	) (11.8)	
Equity-based compensation	1.5	0.7		5.7	3.1	5.1	17.9		
Effect of rates different than statutory	(1.4	) (0.7	)	(1.4	) (0.8	)	(1.1	) (4.0)
Valuation allowance	—	—		—	—	(0.9	) (3.1)	
Other	(0.8	) (0.3	)	(2.7	) (1.5	)	1.6	5.7	
Effective tax rate	\$62.7	32.1	%	\$67.1	36.0	%	\$11.2	39.7	%

The tax effect of temporary differences that give rise to the net deferred income tax liability is presented below:
(in millions)

	December 31,	
	2013	2012
Deferred Tax Assets:		
Deferred interest	\$42.5	\$58.3
State net operating loss and credit carryforwards, net	20.6	18.0
Payroll and benefits	16.2	16.7
Rent	6.4	1.2
Accounts receivable	5.4	4.2
Equity compensation plans	1.6	10.3
Trade credits	1.5	1.8
Interest rate caps	0.8	1.8
Charitable contribution carryforward	0.5	4.1
Deferred financing costs	0.2	2.3
Other	7.1	7.2
Total deferred tax assets	102.8	125.9
Deferred Tax Liabilities:		
Software and intangibles	486.2	551.4
Deferred income	145.5	146.3
Property and equipment	25.0	29.3
Other	11.6	9.1
Total deferred tax liabilities	668.3	736.1

Deferred tax asset valuation allowance

— —

Net deferred tax liability

\$565.5 \$610.2

The Company has state income tax net operating loss carryforwards of \$202.8 million, which will expire at various dates from 2014 through 2033 and state tax credit carryforwards of \$17.0 million, which expire at various dates from 2016 through 2018.

The Company has not provided for U.S. federal income taxes or tax benefits on the undistributed earnings of its international subsidiary because such earnings are reinvested and it is currently intended that they will continue to be reinvested indefinitely. At December 31, 2013, the Company has not provided for federal income taxes on earnings of approximately \$52.5 million from its international subsidiary.

The Company had no unrecognized tax benefits at December 31, 2013, 2012 and 2011.

In the ordinary course of business, the Company is subject to review by domestic and foreign taxing authorities, including the Internal Revenue Service (“IRS”). In general, the Company is no longer subject to audit by the IRS for

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tax years through 2010 and state, local or foreign taxing authorities for tax years through 2008. Various other taxing authorities are in the process of auditing income tax returns of the Company and its subsidiaries. The Company does not anticipate that any adjustments from the audits would have a material impact on its consolidated financial position, results of operations or cash flows.

The Company accrues net interest and penalties related to unrecognized tax benefits in income tax expense in its consolidated statements of operations. For the years ended December 31, 2013, 2012 and 2011, the Company had no liability recorded for the payment of interest and penalties on unrecognized tax benefits and did not recognize any such interest and penalty expense.

9. Shareholders' Equity

On July 2, 2013, the Company completed an IPO of 23,250,000 shares of common stock. On July 31, 2013, the Company completed the sale of an additional 3,487,500 shares of common stock to the underwriters of the IPO pursuant to the underwriters' July 26, 2013 exercise in full of the overallotment option granted to them in connection with the IPO. Such shares were registered under the Securities Act of 1933, as amended, pursuant to the Company's Registration Statement on Form S-1, which was declared effective by the SEC on June 26, 2013. The shares of common stock are listed on the NASDAQ Global Select Market under the symbol "CDW." The Company's shares of common stock were sold to the underwriters at a price of \$17.00 per share in the IPO and upon the exercise of the overallotment option, which together, generated aggregate net proceeds of \$424.7 million to the Company after deducting underwriting discounts, expenses and transaction costs.

On November 19, 2013, the Company completed a secondary public offering, whereby certain selling stockholders sold 15,000,000 shares of common stock. On December 18, 2013, such selling stockholders sold an additional 2,250,000 shares of common stock to the underwriters of the secondary public offering pursuant to the underwriters' December 13, 2013 exercise in full of the overallotment option granted to them in connection with the secondary public offering. The Company did not receive any proceeds from the sale of shares in the secondary public offering or upon the exercise of the overallotment option.

The following pre-tax IPO- and secondary-offering related expenses were included within selling and administrative expenses in the consolidated statement of operations for the year ended December 31, 2013:

(in millions)	Year Ended December 31, 2013
Acceleration charge for certain equity awards and related employer payroll taxes ⁽¹⁾	\$ 40.7
RDU Plan cash retention pool accrual ⁽²⁾	7.5
Management services agreement termination fee ⁽³⁾	24.4
Other expenses	2.4
IPO- and secondary-offering related expenses	\$ 75.0

(1) See Note 10 for additional discussion of the impact of the IPO on the Company's equity awards.

(2) See Note 12 for additional discussion of this transaction.

(3) Represents the payment of a termination fee to affiliates of the Sponsors in connection with the termination of the management services agreement with such entities.

In June 2013, the Company's Board of Directors and the Company's sole shareholder at that time, CDW Holdings, approved the reclassification of the Company's Class A common shares and Class B common shares into a single class of common shares and a 143.0299613-for-1 stock split, effective immediately. The par value of the common shares was maintained at \$0.01 per share. All references to common shares and per share amounts in the accompanying consolidated financial statements have been adjusted to reflect the reclassification and stock split on a retroactive basis.

In June 2013, the Company amended and restated its certificate of incorporation to authorize the issuance of 100,000,000 shares of preferred stock with a par value of \$0.01. No shares of preferred stock have been issued or are

outstanding as of December 31, 2013. Additionally, the amended and restated certificate of incorporation increased the number of authorized common shares to 1,000,000,000.

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On December 2, 2013, the Company paid a cash dividend on the Company's common stock of \$0.0425 per share, or \$7.3 million, to all stockholders of record as of the close of business on November 15, 2013. See Note 19 for a discussion of the dividend declared during the first quarter of 2014. Future dividends will be subject to the approval of the Company's board of directors.

10. Equity-Based Compensation

Equity-Based Compensation Plan Descriptions

CDW has established certain equity-based compensation plans for the benefit of the Company's coworkers and senior management.

Pre-IPO Equity Awards

Prior to the IPO, the Company had the following equity-based compensation plans in place:

Class B Common Units

The Board of Managers of CDW Holdings adopted the CDW Holdings LLC 2007 Incentive Equity Plan (the "Plan") for coworkers, managers, consultants and advisors of the Company and its subsidiaries. The Plan permitted a committee designated by the Board of Managers of CDW Holdings (the "Committee") to grant or sell to any participant Class A Common Units or Class B Common Units of CDW Holdings in such quantity, at such price, on such terms and subject to such conditions that were consistent with the Plan and as established by the Committee.

The Class B Common Units that were granted vested daily on a pro rata basis between the date of grant and the fifth anniversary thereof and were subject to repurchase by, with respect to vested units, or forfeiture to, with respect to unvested units, the Company upon the coworker's separation from service as was set forth in each holder's Class B Common Unit Grant Agreement.

On June 30, 2011, the Board of Managers approved the terms of a modified Class B Common Unit grant agreement with the Company's former Chief Executive Officer, who retired as the Company's Chief Executive Officer effective October 1, 2011 but continued to serve as Chairman of the Board through December 31, 2012. As a result of this modification, the Company recorded incremental equity-based compensation expense of \$6.6 million and \$3.3 million during the years ended December 31, 2012 and 2011, respectively.

MPK II Units

Contemporaneous with the Acquisition, the Company agreed with Michael P. Krasny, CDW Corporation founder, former chairman and CEO and significant selling shareholder, to establish the MPK Coworker Incentive Plan II (the "MPK Plan") for the benefit of all of the coworkers of the Company other than members of senior management who received incentive equity awards under the Plan.

The MPK Plan established an "account" for each eligible participant which was notionally credited with a number of Class A Common Units of CDW Holdings LLC on October 15, 2007, the day the plan was established. The notional units credited to participants' accounts were to cliff-vest at the end of ten years, subject to acceleration upon the occurrence of certain events.

On July 2, 2013, the Company completed an IPO of its common shares. Under the terms of the MPK Plan, vesting accelerated for all unvested units upon completion of the IPO. The Company recorded a pre-tax charge of \$36.7 million for compensation expense related to the acceleration of the expense recognition for MPK Plan units in the year ended December 31, 2013. In connection with the completion of the IPO, the Company distributed common stock to each participant and withheld the number of shares of common stock equal to the required tax withholding for each participant. The Company paid required withholding taxes of \$24.0 million to federal, state and foreign taxing authorities. This amount is reported as a financing activity in the consolidated statement of cash flows and as an increase to accumulated deficit in the consolidated statement of shareholders' equity for the year ended December 31, 2013. In addition, the Company paid \$4.0 million of employer payroll taxes that are included as an operating activity in the consolidated statement of cash flows for the year ended December 31, 2013.

In connection with the establishment of the MPK Plan, the Company agreed to make charitable contributions in amounts equal to the net income tax benefits derived from payouts to participants under the MPK Plan (net of any related employer payroll tax costs). The contributions of these amounts are due by March 15 of the calendar year

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following the year in which the Company realizes the benefits of the deductions. This arrangement has been accounted for as contingent consideration. Pre-2009 business combinations were accounted for under a former accounting standard which, among other aspects, precluded the recognition of certain contingent consideration as of the business combination date. Instead, under the former accounting standard, contingent consideration is accounted for as additional purchase price (goodwill) at the time the contingency is resolved. As of December 31, 2013, the Company has accrued approximately \$21 million related to this arrangement within other current liabilities, as the Company expects to realize the tax benefit of the compensation deductions during the 2013 tax year. The Company expects to make the related cash contribution during the first quarter of 2014.

Post-IPO Equity Awards

2013 Long-Term Incentive Plan (the "2013 LTIP")

In June 2013, the Company adopted the 2013 Long-Term Incentive Plan (the "2013 LTIP"). The 2013 LTIP provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, bonus stock and performance awards. The maximum aggregate number of shares that may be issued under the 2013 LTIP is 11,700,000 shares of the Company's common stock, in addition to the 3,798,508 shares of restricted stock granted in exchange for unvested Class B Common Units in connection with the Company's IPO, as discussed below.

Restricted Stock

In connection with the IPO, CDW Holdings distributed all of its shares of the Company's common stock to its existing members in accordance with their respective membership interests. Common stock received by holders of Class B Common Units in connection with the distribution is subject to any vesting provisions previously applicable to the holder's Class B Common Units. Class B Common Unit holders received 3,798,508 shares of restricted stock with respect to Class B Common Units that had not yet vested at the time of the distribution. For the year ended December 31, 2013, 1,200,544 shares of such restricted stock vested/settled and 5,931 shares were forfeited. As of December 31, 2013, 2,592,033 shares of restricted stock were outstanding.

Stock Options

In addition, in connection with the IPO, the Company issued 1,268,986 stock options to the Class B Common Unit holders to preserve their fully diluted equity ownership percentage. These options were issued with a per-share exercise price equal to the IPO price of \$17.00 and are also subject to the same vesting provisions as the Class B Common Units to which they relate. The Company also granted 19,412 stock options under the 2013 LTIP during the year ended December 31, 2013.

Restricted Stock Units ("RSUs")

In connection with the IPO, the Company granted 1,416,543 RSUs under the 2013 LTIP at a weighted-average grant-date fair value of \$17.03 per unit. The RSUs cliff-vest at the end of four years.

Valuation Information

The Company attributes the value of equity-based compensation awards to the various periods during which the recipient must perform services in order to vest in the award using the straight-line method.

Post-IPO Equity Awards

The Company has elected to use the Black-Scholes option pricing model to estimate the fair value of stock options granted. The Black-Scholes option pricing model incorporates various assumptions including volatility, expected term, risk-free interest rates and dividend yields. The assumptions used to value the stock options granted during the year ended December 31, 2013 are presented below.

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	Year Ended	
	December 31,	
Assumptions	2013	
Weighted-average grant date fair value	\$4.75	
Weighted-average volatility ⁽¹⁾	35.00	%
Weighted-average risk-free rate ⁽²⁾	1.58	%
Dividend yield	1.00	%
Expected term (in years) ⁽³⁾	5.4	

(1) Based upon an assessment of the two-year, five-year and implied volatility for the Company's selected peer group, adjusted for the Company's leverage.

(2) Based on a composite U.S. Treasury rate.

(3) The expected term is calculated using the simplified method. The simplified method defines the expected term as the average of the option's contractual term and the option's weighted-average vesting period. The Company utilizes this method as it has limited historical stock option data that is sufficient to derive a reasonable estimate of the expected stock option term.

The following table sets forth a summary of the Company's stock option activity for the year ended December 31, 2013:

Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (millions)
Outstanding at January 1, 2013	—	\$—		
Granted	1,288,398	\$17.00		
Forfeited/Expired	(8,143)	) \$17.00		
Exercised	—	\$—		N/A
Outstanding at December 31, 2013	1,280,255	\$17.00	8.4	\$8.1
Vested at December 31, 2013	393,517	\$17.00	8.0	\$2.5
Exercisable at December 31, 2013	393,517	\$17.00	8.0	\$2.5
Expected to vest at December 31, 2013	852,713	\$17.00	8.6	\$5.4

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The following table sets forth a summary of the Company's RSU activity for the year ended December 31, 2013:

	Number of Units	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2013	—	\$ —
Granted	1,416,543	17.03
Vested/Settled	(1,844	)17.00
Forfeited	(63,127	)17.01
Nonvested at December 31, 2013	1,351,572	\$ 17.04

The aggregate fair value of restricted stock and RSUs that vested during the year ended December 31, 2013, was \$26.7 million.

Pre-IPO Equity Awards

The grant date fair value of Class B Common Unit grants was calculated using the Option-Pricing Method. This method considered Class A Common Units and Class B Common Units as call options on the total equity value, giving consideration to liquidation preferences and conversion of the preferred units. Such Class A Common Units and Class B Common Units were modeled as call options that gave their owners the right, but not the obligation, to buy the underlying equity value at a predetermined (or exercise) price. Class B Common Units were considered to be call options with a claim on equity value at an exercise price equal to the remaining value immediately after the Class A Common Units and Class B Common Units with a lower participation threshold were liquidated. The Option-Pricing Method is highly sensitive to key assumptions, such as the volatility assumption. As such, the use of this method can be applied when the range of possible future outcomes is difficult to predict.

The following table summarizes the assumptions and resulting fair value of the Class B Common Unit grants for the years ended December 31, 2013, 2012 and 2011:

Assumptions	Class B Common Units Years Ended December 31,			
	2013	2012	2011	
Weighted-average grant date fair value	\$ 119.00	\$ 125.65	\$ 148.89	
Weighted-average volatility	65.50	% 65.26	% 82.87	%
Weighted-average risk-free rate	0.18	% 0.19	% 0.84	%
Dividend yield	0.00	% 0.00	% 0.00	%

The Company calculated the expected future volatility based upon an assessment of the two-year, five-year and implied volatility for the Company's selected peer group, adjusted for the Company's leverage.

The risk-free interest rate of return used is based on a composite U.S. Treasury rate.

Notional units granted under the MPK Plan were valued on the grant date at \$1,000 per unit, the fair value equivalent of the Class A Common Units at the time the awards were granted.

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The following table sets forth a summary of equity plan activity for the year ended December 31, 2013:

	Class B Common Units		MPK Plan Units	
Outstanding at January 1, 2013	216,483		66,137	
Granted	400		—	
Forfeited	(860	)	(2,228)
Converted/Settled ⁽¹⁾	(216,023	)	(63,909)
Outstanding at December 31, 2013	—		—	
Vested at December 31, 2013	—		—	

As discussed above, the Class B Common Units and MPK Plan Units were converted/settled into shares of the (1) Company's common stock upon completion of the IPO. The converted Class B Common Units, to the extent unvested at the time of the IPO, relate to the grants of restricted stock disclosed above.

Expense Information

The Company's net income included \$46.6 million, \$22.1 million and \$19.5 million of compensation cost and \$16.5 million, \$2.3 million and \$1.9 million of income tax benefits related to the Company's equity-based compensation arrangements for the years ended December 31, 2013, 2012 and 2011, respectively. No portion of equity-based compensation was capitalized. Equity-based compensation expense for the year ended December 31, 2013 included incremental expense of \$36.7 million related to the acceleration of the expense recognition for MPK units as discussed above. Equity-based compensation expense included incremental expense of \$6.6 million and \$3.3 million related to the Class B Common Unit modification for the Company's former Chief Executive Officer for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2013, the Company estimated there was \$24.9 million of total unrecognized compensation cost to be recognized over the next 3.3 years.

11. Earnings per Share

The numerator for both basic and diluted earnings per share is net income. The denominator for basic earnings per share is the weighted-average number of common shares outstanding during the period. The 2013 denominator was impacted by the common shares issued during both the IPO and the underwriters' exercise in full of the overallotment option granted to them in connection with the IPO. Because such common shares were issued on July 2, 2013 and July 31, 2013, respectively, they are only partially reflected in the 2013 denominator. Such shares will be fully reflected in the 2014 denominator. See Note 9 for additional discussion of the IPO.

The dilutive effect of outstanding restricted stock, restricted stock units, stock options and MPK Plan units is reflected in the denominator for diluted earnings per share using the treasury stock method.

The following is a reconciliation of basic shares to diluted shares:

(in millions)	Years Ended December 31,		
	2013	2012	2011
Weighted-average shares - basic	156.6	145.1	144.8
Effect of dilutive securities	2.1	0.7	0.1
Weighted-average shares - diluted	158.7	145.8	144.9

For the years ended December 31, 2013, 2012 and 2011, diluted earnings per share excludes the impact of 0.0 million, 0.0 million, and 4.3 million potential common shares, respectively, as their inclusion would have had an anti-dilutive effect.

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12. Deferred Compensation Plan

On March 10, 2010, in connection with the Company's purchase of \$28.5 million principal amount of its outstanding senior subordinated debt, the Company established the Restricted Debt Unit Plan (the "RDU Plan"), an unfunded nonqualified deferred compensation plan. The total number of RDUs that can be granted under the RDU Plan is 28,500. At December 31, 2013, 28,500 RDUs were outstanding. RDUs that are outstanding vest daily on a pro rata basis over the three-year period from January 1, 2012 (or, if later, the date of hire or the date of a subsequent RDU grant) through December 31, 2014. Participants have no rights to the underlying debt.

The total amount of compensation available to be paid under the RDU Plan was initially to be based on two components, a principal component and an interest component. The principal component credits the RDU Plan with a notional amount equal to the \$28.5 million face value of the Senior Subordinated Notes (the "Debt Pool"), together with certain redemption premium equivalents as noted below. 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 on October 12, 2017, except as discussed below. Interest amounts for 2010 and 2011 were deferred until 2012, and thereafter, interest amounts were paid to participants semi-annually on the interest payment due dates. Payments totaling \$1.7 million and \$1.3 million were made to participants under the RDU Plan in April and October 2013, respectively, in connection with the semi-annual interest payments due.

The Company used a portion of the IPO proceeds together with incremental borrowings to redeem \$324.0 million of the total Senior Subordinated Notes outstanding on August 1, 2013. In connection with the IPO and the partial redemption of the Senior Subordinated Notes, the Company amended the RDU Plan to increase the retentive value of the plan. In accordance with the original terms of the RDU Plan, the principal component of the RDUs converted to a cash-denominated pool upon the redemption of the Senior Subordinated Notes. In addition, the Company added \$1.4 million to the principal component in the year ended December 31, 2013 as redemption premium equivalents in accordance with the terms of the RDU plan. Under the terms of the amended RDU Plan, upon the partial redemption of outstanding Senior Subordinated Notes, the RDUs ceased to accrue the proportionate related interest component credits. The amended RDU Plan provides participants the opportunity to share on a pro rata basis in cash retention pools payable to participants who satisfy certain retention requirements. The aggregate amount of the retention pools was determined to be \$15.0 million based upon the amount of interest component credits that would have been allocated to the RDU Plan if the Senior Subordinated Notes had remained outstanding from August 1, 2013 through maturity. The Company recorded a pre-tax charge of \$7.5 million in the year ended December 31, 2013 for payment of the first cash retention pool. The second cash retention pool payment is expected to be made to participants who remain employed through December 31, 2015 in the first quarter of 2016. Participants continue to accrue an interest component credit for the proportionate amount of Senior Subordinated Notes still outstanding, payable on the aforementioned semi-annual due dates; such payments, however, will be deducted from the second retention pool payment amount of \$7.5 million.

Unrecognized compensation expense as of December 31, 2013 of approximately \$9 million is expected to be recognized through 2014 and approximately \$7 million in 2015 through 2017. Payments under the RDU Plan may be impacted if certain significant events occur or circumstances change that would impact the financial condition or structure of the Company.

Compensation expense of \$16.8 million, \$8.4 million, and \$8.1 million related to the RDU Plan was recognized in the years ended December 31, 2013, 2012 and 2011, respectively. At December 31, 2013 and 2012, the Company had \$21.8 million and \$15.5 million of liabilities related to the RDU Plan recorded on the consolidated balance sheets, respectively.

Payment of the principal component of the RDU Plan is expected to be made on October 12, 2017, unless accelerated due to a sale of the Company.

13. Profit Sharing and 401(k) Plan

The Company has a profit sharing plan that includes a salary reduction feature established under the Internal Revenue Code Section 401(k) covering substantially all coworkers. Company contributions to the profit sharing plan are made

in cash and determined at the discretion of the Board of Directors. For the years ended December 31, 2013, 2012 and 2011, the amounts charged to expense for this plan totaled \$17.3 million, \$14.6 million and \$15.3 million, respectively.

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14. Commitments and Contingencies

The Company is party to various legal proceedings that arise in the ordinary course of its business, which include commercial, intellectual property, employment, tort and other litigation matters. The Company is also subject to audit by federal, state and local authorities, and by various partners and large customers, including government agencies, relating to purchases and sales under various contracts. In addition, the Company is subject to indemnification claims under various contracts. From time to time, certain customers of the Company file voluntary petitions for reorganization or liquidation under the U.S. bankruptcy laws. In such cases, certain pre-petition payments received by the Company could be considered preference items and subject to return to the bankruptcy administrator.

As of December 31, 2013, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for these proceedings and matters, if any, has been incurred. However, the ultimate resolutions of these proceedings and matters are inherently unpredictable. As such, the Company's financial condition and results of operations could be adversely affected in any particular period by the unfavorable resolution of one or more of these proceedings or matters.

The Company previously filed a claim as part of a class action settlement in a case alleging price fixing during the period of January 1, 1996 through December 31, 2006, by certain manufacturers of thin-film liquid crystal display panels. On July 13, 2013, the United States District Court for the Northern District of California approved distribution of the settlement proceeds, including a net payment to the Company of \$10.4 million after fees and expenses. The Company has recognized a pre-tax benefit of \$10.4 million within selling and administrative expenses in the consolidated statement of operations for the year ended December 31, 2013. The first of two settlement payments was received by the Company on July 29, 2013 in the amount of \$8.5 million. The balance of \$1.9 million was received in February 2014.

15. Related Party Transactions

The Company had previously entered into a management services agreement with the Sponsors pursuant to which they had agreed to provide it with management and consulting services and financial and other advisory services. Pursuant to such agreement, the Sponsors received an annual management fee of \$5.0 million and reimbursement of out-of-pocket expenses incurred in connection with the provision of such services. Such amounts were classified as selling and administrative expenses within the consolidated statements of operations. The management services agreement included customary indemnification and provisions in favor of the Sponsors.

On July 2, 2013, the Company completed an IPO of its common stock. Using a portion of the net proceeds from the IPO, the Company paid a \$24.4 million termination fee to affiliates of the Sponsors in connection with the termination of the management services agreement with such entities that was effective upon completion of the IPO. The Company paid an annual management fee of \$2.5 million, \$5.0 million and \$5.0 million in the years ended December 31, 2013, 2012 and 2011, respectively.

16. Segment Information

Segment information is presented in accordance with a "management approach," which designates the internal reporting used by the chief operating decision-maker for making decisions and assessing performance as the source of the Company's reportable segments. The Company's segments are organized in a manner consistent with which separate financial information is available and evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

The Company has two reportable segments: Corporate, which is comprised primarily of business customers, and Public, which is comprised of government entities and education and healthcare institutions. The Company also has 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 Company has centralized logistics and headquarters functions that provide services to the segments. The logistics function includes purchasing, distribution and fulfillment services to support both the Corporate and Public segments. As a result, costs and intercompany charges associated with the logistics function are fully allocated to both of these

segments based on a percent of sales. The centralized headquarters function provides services in areas such as accounting, information technology, marketing, legal and coworker services. Headquarters' function costs that are not allocated to the segments are included under the heading of "Headquarters" in the tables below. Depreciation expense is included in Headquarters as it is not allocated among segments or used in measuring segment performance.

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IPO- and secondary-offering related expenses primarily relating to coworker compensation were included within operating segment results for the year ended December 31, 2013. See Note 9 for additional discussion of IPO- and secondary-offering related expenses.

The Company allocates resources to and evaluates performance of its segments based on net sales, income (loss) from operations and Adjusted EBITDA, a non-GAAP measure as defined in the Company's credit agreements. However, the Company has concluded that income (loss) from operations is the more useful measure in terms of discussion of operating results, as it is a GAAP measure.

Segment information for total assets and capital expenditures is not presented, as such information is not used in measuring segment performance or allocating resources between segments.

Selected Segment Financial Information

The following table presents information about the Company's segments for the years ended December 31, 2013, 2012 and 2011:

(in millions)	Corporate	Public	Other	Headquarters	Total
2013:					
Net sales	\$5,960.1	\$4,164.5	\$644.0	\$—	\$10,768.6
Income (loss) from operations	363.3	246.5	27.2	(128.4)	) 508.6
Depreciation and amortization expense	(97.3)	) (44.0)	) (8.6)	) (58.3)	) (208.2)
IPO- and secondary-offering related expenses	(26.4)	) (14.4)	) (3.6)	) (30.6)	) (75.0)
2012:					
Net sales	\$5,512.8	\$4,023.0	\$592.4	\$—	\$10,128.2
Income (loss) from operations	349.0	246.7	18.6	(103.7)	) 510.6
Depreciation and amortization expense	(97.6)	) (44.0)	) (9.3)	) (59.3)	) (210.2)
IPO- and secondary-offering related expenses	—	—	—	—	—
2011:					
Net sales	\$5,334.4	\$3,757.2	\$510.8	\$—	\$9,602.4
Income (loss) from operations	331.6	233.3	17.5	(111.7)	) 470.7
Depreciation and amortization expense	(97.4)	) (43.9)	) (8.7)	) (54.9)	) (204.9)
IPO- and secondary-offering related expenses	—	—	—	—	—

Major Customers, Geographic Areas, and Product Mix

Net sales to the federal government were \$764.4 million, \$964.7 million and \$953.6 million and accounted for approximately 7%, 10% and 10% of total net sales in 2013, 2012 and 2011, respectively. Net sales to customers outside of the U.S., primarily in Canada, were approximately 4% of the Company's total net sales in 2013, 2012 and 2011. Approximately 1% and 2% of the Company's long-lived assets were located outside of the U.S. as of December 31, 2013 and 2012, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents net sales by major category for the years ended December 31, 2013, 2012 and 2011. Categories are based upon internal classifications. Amounts for the years ended December 31, 2012 and 2011 have been reclassified for certain changes in individual product classifications to conform to the presentation for the year ended December 31, 2013.

	Year Ended December 31, 2013		Year Ended December 31, 2012		Year Ended December 31, 2011		
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	
Notebooks/Mobile Devices	\$ 1,706.0	15.8	% \$ 1,470.1	14.5	% \$ 1,336.9	13.9	%
NetComm Products	1,489.1	13.8	1,351.1	13.3	1,237.7	12.9	
Enterprise and Data Storage (Including Drives)	998.1	9.3	979.4	9.7	929.9	9.7	
Other Hardware	4,173.3	38.8	4,068.8	40.2	3,988.3	41.5	
Software	1,994.7	18.5	1,849.4	18.3	1,767.2	18.4	
Services	327.1	3.0	284.6	2.8	254.3	2.6	
Other ⁽¹⁾	80.3	0.8	124.8	1.2	88.1	1.0	
Total net sales	\$ 10,768.6	100.0	% \$ 10,128.2	100.0	% \$ 9,602.4	100.0	%

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

17. Supplemental Guarantor Information

As described in Note 7, the Senior Secured Notes, Senior Subordinated Notes and Senior Notes are guaranteed by Parent and each of CDW LLC's direct and indirect, 100% owned, domestic subsidiaries (the "Guarantor Subsidiaries"). All guarantees by Parent and Guarantor Subsidiaries are joint and several, and full and unconditional; provided that each guarantee by the Guarantor Subsidiaries is subject to certain customary release provisions contained in the indentures governing the Senior Secured Notes, Senior Subordinated Notes and Senior Notes. CDW LLC's Canada subsidiary (the "Non-Guarantor Subsidiary") does not guarantee the debt obligations. CDW LLC and CDW Finance Corporation, as co-issuers, are 100% owned by Parent, and each of the Guarantor Subsidiaries and the Non-Guarantor Subsidiary is 100% owned by CDW LLC.

The following tables set forth condensed consolidating balance sheets as of December 31, 2013 and 2012, consolidating statements of operations for the years ended December 31, 2013, 2012 and 2011, condensed consolidating statements of comprehensive income for the years ended December 31, 2013, 2012 and 2011, and condensed consolidating statements of cash flows for the years ended December 31, 2013, 2012 and 2011, in accordance with Rule 3-10 of Regulation S-X. The consolidating financial information includes the accounts of CDW Corporation (the "Parent Guarantor"), which has no independent assets or operations, the accounts of CDW LLC (the "Subsidiary Issuer"), the combined accounts of the Guarantor Subsidiaries, the accounts of the Non-Guarantor Subsidiary, and the accounts of CDW Finance Corporation (the "Co-Issuer") for the periods indicated. The information was prepared on the same basis as the Company's consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Balance Sheet

December 31, 2013

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	\$—	\$196.5	\$—	\$ 14.0	\$—	\$(22.4)	\$ 188.1
Accounts receivable, net	—	—	1,375.9	75.1	—	—	1,451.0
Merchandise inventory	—	—	378.9	3.1	—	—	382.0
Miscellaneous receivables	—	49.9	91.0	5.4	—	—	146.3
Prepaid expenses and other	—	10.7	33.4	5.1	—	(3.1)	46.1
Total current assets	—	257.1	1,879.2	102.7	—	(25.5)	2,213.5
Property and equipment, net	—	69.7	59.6	1.8	—	—	131.1
Goodwill	—	751.9	1,439.0	29.4	—	—	2,220.3
Other intangible assets, net	—	338.5	982.8	6.7	—	—	1,328.0
Deferred financing costs, net	—	30.1	—	—	—	—	30.1
Other assets	4.9	1.4	0.1	0.9	—	(5.7)	1.6
Investment in and advances to subsidiaries	706.8	2,909.4	—	—	—	(3,616.2)	—
Total assets	\$ 711.7	\$ 4,358.1	\$ 4,360.7	\$ 141.5	\$—	\$(3,647.4)	\$ 5,924.6
Liabilities and Shareholders' Equity							
Current liabilities:							
Accounts payable-trade	\$—	\$21.4	\$ 637.3	\$ 26.5	\$—	\$(22.4)	\$ 662.8
Accounts payable-inventory financing	—	—	256.6	—	—	—	256.6
Current maturities of long-term debt	—	45.4	—	—	—	—	45.4
Deferred revenue	—	—	89.9	4.9	—	—	94.8
Accrued expenses	—	163.5	175.1	7.5	—	(3.1)	343.0
Total current liabilities	—	230.3	1,158.9	38.9	—	(25.5)	1,402.6
Long-term liabilities:							
Debt	—	3,205.8	—	—	—	—	3,205.8
Deferred income taxes	—	178.3	388.4	1.6	—	(4.8)	563.5
Other liabilities	—	36.9	3.6	1.4	—	(0.9)	41.0
Total long-term liabilities	—	3,421.0	392.0	3.0	—	(5.7)	3,810.3
Total shareholders' equity	711.7	706.8	2,809.8	99.6	—	(3,616.2)	711.7
Total liabilities and shareholders' equity	\$ 711.7	\$ 4,358.1	\$ 4,360.7	\$ 141.5	\$—	\$(3,647.4)	\$ 5,924.6

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Balance Sheet

December 31, 2012

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	\$—	\$48.0	\$—	\$ 9.8	\$—	\$(19.9)	\$ 37.9
Accounts receivable, net	—	—	1,217.7	67.3	—	—	1,285.0
Merchandise inventory	—	—	313.2	1.4	—	—	314.6
Miscellaneous receivables	—	61.7	82.0	4.8	—	—	148.5
Deferred income taxes	—	8.7	5.5	(0.1)	—	—	14.1
Prepaid expenses and other	—	10.1	24.4	0.1	—	—	34.6
Total current assets	—	128.5	1,642.8	83.3	—	(19.9)	1,834.7
Property and equipment, net	—	73.9	66.2	2.6	—	—	142.7
Goodwill	—	749.4	1,428.5	31.4	—	—	2,209.3
Other intangible assets, net	—	348.6	1,121.7	8.2	—	—	1,478.5
Deferred financing costs, net	—	53.2	—	—	—	—	53.2
Other assets	5.4	1.1	0.4	0.6	—	(5.9)	1.6
Investment in and advances to subsidiaries	131.1	2,946.0	—	—	—	(3,077.1)	—
Total assets	\$ 136.5	\$ 4,300.7	\$ 4,259.6	\$ 126.1	\$—	\$(3,102.9)	\$ 5,720.0
Liabilities and Shareholders' Equity							
Current liabilities:							
Accounts payable-trade	\$—	\$16.5	\$500.3	\$ 21.7	\$—	\$(19.9)	\$ 518.6
Accounts payable-inventory financing	—	—	249.2	—	—	—	249.2
Current maturities of long-term debt	—	40.0	—	—	—	—	40.0
Deferred revenue	—	—	57.8	—	—	—	57.8
Accrued expenses	—	139.3	157.4	5.9	—	—	302.6
Total current liabilities	—	195.8	964.7	27.6	—	(19.9)	1,168.2
Long-term liabilities:							
Debt	—	3,731.0	—	—	—	—	3,731.0
Deferred income taxes	—	188.1	440.0	1.7	—	(5.5)	624.3
Accrued interest	—	8.0	—	—	—	—	8.0
Other liabilities	—	46.7	4.0	1.7	—	(0.4)	52.0
Total long-term liabilities	—	3,973.8	444.0	3.4	—	(5.9)	4,415.3
Total shareholders' equity	136.5	131.1	2,850.9	95.1	—	(3,077.1)	136.5
Total liabilities and shareholders' equity	\$ 136.5	\$ 4,300.7	\$ 4,259.6	\$ 126.1	\$—	\$(3,102.9)	\$ 5,720.0

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CDW CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

Year Ended December 31, 2013

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	\$—	\$—	\$ 10,293.3	\$ 475.3	\$—	\$—	\$ 10,768.6
Cost of sales	—	—	8,592.1	416.2	—	—	9,008.3
Gross profit	—	—	1,701.2	59.1	—	—	1,760.3
Selling and administrative expenses	24.4	103.9	957.3	35.3	—	—	1,120.9
Advertising expense	—						