

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**Form 10-K**

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995

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 **0-21796**

**CDW Computer Centers, Inc.**

(Exact name of registrant as specified in its charter)

**Illinois**

(State or other jurisdiction of  
incorporation or organization)

**1020 E. Lake Cook Road, Buffalo Grove, Illinois**

(Address of principal executive offices)

**36-3310735**

(I.R.S. Employer  
Identification No.)

**60089**

(Zip Code)

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

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

Title of each class

None

Name of each exchange on which registered

N/A

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

Common Stock

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the 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.

The aggregate market value of the Common Stock held by non-affiliates as of March 22, 1996 was approximately \$305 million, based upon the market price per share of \$52.75.

As of March 22, 1996, the registrant had 14,350,000 shares of Common Stock, \$.01 par value, outstanding.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated by reference into the parts of this Form 10-K designated to the right of the document listed.

**Incorporated Document**

**Location in Form 10-K**

Annual Report to Stockholders for the year  
ended December 31, 1995

Part I, Item 2  
Part II, Items 6, 7 and 8

1995 Definitive Proxy Statement dated  
March 26, 1996

Part III, Items 10, 11, 12 and 13

An Index to Exhibits appears at pages 12-15 herein

Part IV, Item 14

**CDW COMPUTER CENTERS, INC.  
1995 FORM 10-K ANNUAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 1995  
INDEX**

		<u>PART I</u>	<u>10-K Page No.</u>
Item 1.	Business .....		1
Item 2.	Properties .....		8
Item 3.	Legal Proceedings .....		8
Item 4.	Submission of Matters to a Vote of Security Holders .....		10
 <u>PART II</u> 			
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters .....		10
Item 6.	Selected Financial Data .....		10
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations .....		11
Item 8	Financial Statements and Supplementary Data .....		11
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure .....		11
 <u>PART III</u> 			
Item 10.	Directors and Executive Officers of the Registrant .....		11
Item 11.	Executive Compensation .....		11
Item 12.	Security Ownership of Certain Beneficial Owners and Management .....		11
Item 13.	Certain Relationships and Related Transactions .....		11
 <u>PART IV</u> 			
Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K .....		12
Signatures .....			16

## PART I

### **Item 1. Business**

#### **General**

The Company (sometimes referred to herein as "CDW") sells MS-DOS/Microsoft Windows and Apple/MacIntosh based (i) microcomputer hardware and peripherals, including desktop computers, notebooks and laptops, printing devices, video monitors, communication equipment, add-on boards and memory and data storage devices; (ii) software; (iii) networking products; and (iv) accessories, using a high volume, cost-efficient, direct marketing format. Sales of MS-DOS/Microsoft Windows based products account for over 90% of the Company's aggregate net sales. Currently, CDW has a database of over 1,000,000 customer and prospective customer accounts, generated by advertising in approximately 12 national and regional personal computer magazines, including *PC Magazine*, *PC World*, *MAC World*, and *Computer Shopper*, and through periodic catalog mailings utilizing owned and leased third party mailing lists. The Company, through its telemarketing department which is staffed by well-trained, product knowledgeable account executives, offers a broad range of over 20,000 products at discounted prices and generally ships customer orders on a same-day basis. The Company's management information systems enable management to enhance efficiency and productivity, respond quickly to changes in its industry and provide high levels of customer service.

#### **Microcomputer Products Industry**

The Company believes that microcomputer and related product sales have increased during the immediately preceding years principally as a result of the following factors: (i) growth of the service/information-based sector of the economy; (ii) improvements in microcomputer hardware performance and new software applications; (iii) reductions in the prices of hardware and software; (iv) increased user familiarity with microcomputers; and (v) emergence of industry standards and component commonality. The Company believes that personal computers with greater performance capabilities will be available at even more attractive prices each year for the foreseeable future, potentially expanding even further the market for personal computers and related products. The Company believes that its continued growth is dependent in part upon the continued growth and success of companies which are leading innovators in hardware and software development, such as Intel and Microsoft.

The sophistication and value consciousness of the Company's customer base, combined with the evolution of industry standards for microcomputers, has also resulted in heightened consumer interest in and acceptance of MS-DOS/Microsoft Windows and Apple/MacIntosh based microcomputers, peripherals and software which are manufactured by high quality manufacturers such as Apple, AST Research, Canon, Epson, IBM, Intel, Lotus, Microsoft, NEC Technologies, Novell and Toshiba. In addition, the intense competition among high quality manufacturers has reduced the prices of microcomputers and increased the number of microcomputers being used by businesses and being sold by direct marketing organizations such as CDW. The Company believes that its direct marketing format, which promotes the sale of high quality brand name products at competitive prices, is well suited to serve this increasingly sophisticated and value conscious customer base.

The Company believes that a major change is occurring in the channels of distribution of microcomputer products in the United States. The industry has become more accepting of large volume, cost-effective channels of distribution such as computer superstores, consumer electronic and office supply superstores, national direct marketers and mass merchants. In response to competitive pressures, traditional computer resellers are consolidating operations and acquiring or merging with other resellers to increase efficiency. Manufacturers such as Compaq, Dell Computer, and Gateway 2000 operate their own direct marketing programs which seek to compete with the Company. CDW believes that its direct marketing format, combined with its knowledgeable account executives, cost-efficient operation, same day shipping and high

level of customer service and technical support allow it to compete effectively against alternative channels of distribution, including superstores, mass merchants and other direct marketers.

### **The CDW Philosophy**

The Company adheres to a central philosophy known as the *CDW CIRCLE OF SERVICE*. The philosophy is based upon the premise, promoted by its management, that “People Do Business With People They Like.” The *CDW CIRCLE OF SERVICE* is a graphic reminder to the Company and its personnel that good service leads to good experiences and increased sales, and, alternatively, that bad experiences lead to lost sales and job uncertainty.

### **Business Strategy**

The Company’s business strategy is to be a high volume, cost-efficient direct marketer of a broad range of name brand competitively priced microcomputer products and to provide a high level of customer service. The Company believes that the following factors are of principal importance in its ability to implement this business strategy:

*Breadth and Depth of Selection.* The Company offers over 20,000 products providing its customers with the convenience of one-stop shopping for their microcomputer-related needs. The Company carries brand name products and regularly reviews and modifies its mix of product offerings.

*Competitive Pricing.* The Company believes that its high volume, cost-efficient direct marketing format allows it to maintain a pricing advantage over many other microcomputer product retailers. By selling products at prices which are generally below manufacturers’ suggested retail prices, the Company seeks to establish itself as a value leader in the microcomputer and related products marketplace.

*Direct Marketing.* The Company uses in-bound telemarketing account executives to respond to customer inquiries generated by national advertising in personal computer magazines and periodic catalog mailings. In May 1995, the Company established an outbound telemarketing division to target previous business customers that have not purchased from the Company during the past six months.

*Customer Service and Technical Support.* The Company maintains a trained staff of account executives to address customer inquiries and assist with purchasing decisions, as well as a trained technical staff that is available by telephone to answer questions regarding products purchased from the Company. The Company believes that its commitment to service at the time of sale and after the purchase maximizes sales and encourages repeat customers.

*Management Information Systems.* The Company uses proprietary, real-time management information systems which centralize management of key functions and generate daily operating control reports enabling management to identify and respond quickly to internal changes and trends in the industry and to provide high levels of customer satisfaction.

*Effective Inventory Control.* The Company’s sophisticated management information systems, “just-in-time” purchasing system and aggressive use of stock balancing and vendor price protection allow it to minimize its investment in inventory and the related risk of obsolescence while meeting customer needs. These systems resulted in the Company achieving approximately 21.7 inventory turns during 1995.

*High Quality Personnel.* The Company strives to attract, retain and motivate high quality personnel and provides its employees with financial incentives designed to maximize performance and productivity. To this end, Mr. Krasny implemented the MPK Restricted Stock Plan and the MPK Stock

Option Plan, funded from his own stockholdings, and the Company has adopted the CDW Incentive Stock Option Plan, to reward and motivate the Company's employees.

## Merchandise

The Company offers over 20,000 microcomputer products including hardware and peripherals, networking products, software and accessories for use with MS-DOS/Microsoft Windows and Apple/MacIntosh based microcomputers. The Company's just-in-time purchasing system and aggressive inventory management allows it to limit its on-hand inventory to approximately 5,000 products (excluding replacement parts) and yet continue to ship orders generally on a same-day basis. The Company ships most credit approved orders received prior to 9:00 p.m., exclusive of orders for products subject to allocation by the manufacturer, on the day the order was received.

The following chart provides information regarding the Company's percentage of net sales (in dollars) of hardware and peripherals, networking products, software and accessories during the years ended December 31, 1995 and 1994 :

<u>Product Categories</u>	<u>Percentage of Net Sales</u>		<u>Selected Product Manufactures</u>	
	<u>1995</u>	<u>1994</u>		
<b>Hardware and Peripherals</b>				
Notebooks and Laptops	22.0 %	23.0 %	American Power	MagInnovision
Printers	14.0	17.0	Apple	Megahertz
Desktop Computers	12.0	8.0	AST Research	NEC Technologies
Data Storage Devices	9.0	8.0	ATI	Oki Data
Video Products	8.0	8.0	Canon	Panasonic
Add-on Boards/Memory	8.0	7.0	Compaq	Philips-Magnavox
Communications	<u>5.0</u>	<u>6.0</u>	Conner	Plextor
Total	<u>78.0 %</u>	<u>77.0 %</u>	DEC	Practical Peripherals
			Epson	Seagate
			Hayes	Simple Technology
			Hewlett-Packard	Sony
			IBM	Texas Instruments
			Intel	Toshiba
			Lexmark	U.S. Robotics
<b>Software</b>	11.0 %	11.0 %	Adobe	Corel
			Borland	Lotus
			Central Point	Microsoft
			Claris	Novell-WordPerfect
<b>Networking Products</b>	7.0 %	8.0 %	Artisoft	Standard Micro-
			Microsoft	systems Corp.
			Intel	Thomas Conrad
			Novell	3 Com
<b>Other Accessories</b>	4.0 %	4.0 %	Logitech	Sony
			Maxell	TDK
			Memorex	3M

The Company continually seeks to expand and improve its relationships with manufacturers as well as increase the number of products which it is authorized to sell. For example, the Company became an authorized catalog reseller of IBM products in 1994, Apple hardware products in April 1995, and Compaq products in November 1995 through a pilot program.

CDW is a Novell Gold authorized reseller. The Company employs 11 Certified Novell Network Engineers and offers a wide selection of products to enable customers to network their microcomputers. The Company offers approximately 5,000 different software packages in the business and personal productivity, utility and language, educational and entertainment categories. The Company also offers a broad range of microcomputer accessories. These accessories include computer-related items and supplies such as diskettes, printer products, pointing devices and connectors.

### **Purchasing and Vendor Selection; Inventory Management**

The Company believes that effective purchasing is a key element of its business strategy of providing name brand products at competitive prices. The Company's purchasing staff works to identify reliable high quality suppliers of products, then actively negotiates to decrease the Company's cost, allowing it to decrease the sales price of the product.

During 1995, CDW purchased approximately 46% of its merchandise directly from manufacturers and the balance from distributors, both of which ship directly to the Company's distribution facility. The Company believes that the Chicago metropolitan area is an excellent location for its business as it is centrally located for purposes of shipping products throughout the United States and provides quick access to manufacturers and same day access to its principal distributors, including Ingram Micro, Merisel, and Micro United. The Company has excellent relationships with its vendors, and employs a policy of paying vendors within terms stated and taking advantage of all appropriate discounts. The Company's relationships with many of its vendors also results in promotional allowances for many products purchased. Although brand names and individual products are important to the Company's business, the Company believes that competitive sources of supply are available in substantially all of the merchandise categories the Company carries.

CDW also applies its proprietary management information systems to the task of managing its inventory, carefully monitors its inventory and seeks to obtain price protection from a majority of its vendors. At December 31, 1995, the Company maintained an investment in inventory of approximately \$27.4 million with approximately 0.8% of inventory on hand over 90 days old. The Company turned its inventory approximately 21.7 times during 1995.

### **Advertising and Catalog Publication**

During the year ended December 31, 1995, the Company estimates that approximately 90% of its net sales were generated from national advertising in personal computer publications and its catalog program. The Company receives cooperative advertising reimbursements from vendors which were approximately 59% of total advertising expense for the year ended December 31, 1995.

The Company places advertising in approximately 12 national and regional personal computer publications, including *PC Magazine*, *PC World*, *MAC World*, *Computer Shopper* and others, as well as limited local advertising. The Company placed a total of 565 national advertising pages in 1995, including 88 directly related to Microsoft's Windows 95 and related products. The Company periodically uses advertising, known as "Box Stuffers," in orders shipped to its customers in an effort to further stimulate sales and keep its customers abreast of the changes in the microcomputer industry.

The Company published eight versions of its MS-DOS/Windows ("PC") based catalogs, and eight versions of its Apple/MacIntosh based catalogs in 1995. In order to cultivate repeat buyers, the Company distributes these catalogs to persons and organizations on its proprietary mailing lists. In order to attract new customers, the Company distributes these catalogs to potential customers whose names and addresses are selectively obtained from leased mailing lists and to other known computer users. Such lists are carefully selected to maximize revenues. Each catalog is printed with full color photographs, detailed product descriptions and manufacturer specifications.

In order to measure the effectiveness of its advertising, the Company tracks responses to its various advertisements and catalogs by utilizing a series of toll-free telephone numbers. Based on the toll-free number dialed by the customer, the Company is able to monitor the source of the advertisement which generated the sale or inquiry. These toll-free numbers may be used 14 hours a day, Monday through Friday and 8 hours on Saturday to place orders or to request a catalog. The vast majority of orders are placed by telephone.

### **Sales Activities and Order Fulfillment**

The Company's success is due, in large part, to the strength of its account executives who respond to customer telephone inquiries generated by the Company's advertising and catalogs ("in-bound telemarketing"). The Company's account executives are well-trained, product knowledgeable and motivated to maximize sales and provide high levels of customer service. CDW seeks to build customer relations by assigning each customer to the account executive who first services the customer. Upon subsequent calls to CDW, the customer is directed to his or her account executive for assistance. The assigned account executive is thereafter credited with all purchases by that customer regardless of whether he or she made the sale. In the spirit of teamwork, account executives are encouraged to cooperate and work together to maximize sales and customer satisfaction.

Each catalog and advertisement distributed by the Company bears a toll-free number to be used by customers in phoning CDW to place a product order. Telephone calls are answered by account executives who utilize on-line computer terminals to retrieve information regarding product characteristics, cost and availability and to enter customer orders. Account executives enter orders on-line into a computerized order fulfillment system which systematically updates the Company's customer purchase history. Computer processing of orders is performed immediately following the placement of the order and upon receipt of credit approval. Picking tickets are printed with bar codes, which permits efficient picking of inventory from warehouse bin locations. The Company ships most credit approved orders received by 9:00 p.m., exclusive of orders for products not in stock or subject to allocation by the manufacturer, on the day the order was received. Orders are shipped by United Parcel Service, Federal Express, U.S. Mail or any other acceptable manner requested by the customer. The Company charges the customer with the cost of shipping an order. On ground delivery orders under \$200, the customer is charged a flat delivery fee of \$2.99. The customer pays normal freight charges for all larger orders. The average order size for the years ended December 31, 1995 and 1994 respectively was \$630 and \$590.

In May 1995, the Company established an outbound telemarketing unit which has been assigned the task of contacting the Company's business customers who have not purchased from the Company during the previous six months. The current principal objective of this unit is to revitalize the Company's relationship with its inactive business customers.

CDW account executives are generally compensated pursuant to a commission schedule based upon the gross profit generated by them. CDW account executives have the authority to negotiate and adjust prices for products, provided that the account executive sells the product at a price which meets established management guidelines. The Company's account executives have the opportunity to achieve high compensation levels.

The Company's account executives have shown increased productivity as training and experience levels increase.

### **Customers and Marketing**

CDW currently maintains a database of over 1,000,000 active and prospective accounts of which approximately 374,000 were serviced by the Company in 1995. The Company believes that its customers consist principally of businesses, institutions and home business users, which tend to purchase higher-end equipment. For the year ended December 31, 1995, sales to business customers accounted for approximately 73% of the Company's net sales.

CDW's customers are located principally throughout the United States. In 1995, approximately 23% of the Company's net sales were generated by sales to Illinois residents, approximately 24% were generated to residents of the eastern United States, approximately 20% were generated by sales to residents of the southern United States, approximately 17% were generated by sales to residents of the western United States and approximately 15% were generated by sales to residents of the midwestern United States (other than Illinois). In addition, approximately 1% were sold to customers outside the United States.

### **Customer Service and Technical Support**

CDW maintains a trained staff to answer customer inquiries and assist customers with purchasing decisions. The Company maintains technical support personnel to customize the Company's products to meet the needs of the customer. The Company's technical support personnel are available by telephone to answer customer inquiries and assist customers in maximizing the benefits from the products purchased from the Company. The Company's return policy allows the customer thirty days from the date of the sale to return the product. Customer returns are subject to a restocking fee unless the return was the result of a defect in the product sold.

### **Management Information Systems**

CDW has installed and operates customized management information systems based upon an IBM AS/400, Novell Network and Microsoft NT server. Collectively, these systems allow for centralized management of key functions, including inventory and accounts receivable management, purchasing, sales and distribution, and the preparation of daily operating control reports which provide concise and timely information regarding key aspects of the business. The Company's proprietary management information systems enable the Company to enhance its productivity, ship customer orders on a same-day basis, respond quickly to changes in its industry and provide high levels of customer service.

The Company's management information systems are, where appropriate, real-time information systems which allow each department to share information and monitor daily progress relating to sales activity, credit approval, inventory levels, stock balancing, unshipped orders, vendor returns, potential obsolescence, order fulfillment and other useful measures of performance. The Company believes that these systems enable management to identify potential problems at early stages and to respond quickly and effectively. They also serve to continually update the account executives' knowledge of many of the Company's product offerings by enabling them to access an on-line product database. In order to ensure maximum productivity from its management information systems, the Company expects to upgrade its software within the next three years. The Company believes that its management information systems and these planned enhancements are sufficient to sustain its present operations and its anticipated growth for the foreseeable future.

## **Personnel and Training**

At December 31, 1995, the Company employed 536 persons, including 531 employed full-time and 5 employed part-time. Of these, 520 were employed at the Company's headquarters in Buffalo Grove, Illinois while 19 were employed at the Company's retail store in Chicago, Illinois. The Company considers its employee relations to be excellent. No employees are covered by collective bargaining agreements.

CDW emphasizes the recruiting and training of high quality personnel and, to the extent possible, promotes people to positions of increased responsibility from within the Company. Each employee initially receives training appropriate for his or her position and a complete CDW orientation. This is followed by varying levels of training in computer technology. New account executives participate in an intensive approximately four-week long classroom training program known as "CDW University," followed by hands-on, face-to-face showroom training during which time they are introduced to the Company's philosophy, available resources, and products and services. Training for specific product lines and continuing education programs for all account executives are conducted on an ongoing basis, supplemented by vendor-sponsored training programs for all account executives and technical support personnel. The Company believes its training programs contribute to a high level of net sales per employee (approximately \$1.4 million for the year ended December 31, 1995 vs. \$1.2 million for the year ended December 31, 1994).

## **Incentive and Regular Compensation Arrangements**

*Compensation Arrangements.* The Company's employees are generally compensated on a basis that rewards performance and the achievement of identified goals. For example, account executives receive compensation pursuant to a commission schedule which is based upon aggregate gross profit dollars, accounts receivable personnel are eligible for monthly bonuses if late balances are held below acceptable levels, and inventory control personnel are eligible for monthly bonuses based upon such factors as prompt vendor returns and order fulfillment rates. The Company believes that these incentives positively impact its performance and profitability.

*Employee Incentive Stock Option, MPK Stock Option and Restricted Stock Plans.* In addition to regular compensation, the Company, and Mr. Krasny individually, provide Company employees with additional financial incentives designed to maximize performance and productivity. To this end, the Company has adopted the CDW Incentive Stock Option Plan, the MPK Stock Option Plan and the MPK Restricted Stock Plan which enables Company employees to share in the success of the Company through appreciation in the value of the Company's stock.

## **Retail Showrooms**

The Company currently operates two retail showrooms allowing customers an opportunity to examine products prior to purchase or to talk directly with CDW sales or technical personnel. One showroom is located within the Company's main distribution facility and headquarters in Buffalo Grove, Illinois, and the other is located in downtown Chicago, Illinois. These showrooms occupy approximately 3,200 and 5,700 square feet, respectively.

The Company's retail showrooms, which generated approximately 10% of the Company's net sales for 1995, inclusive of orders placed by telephone and picked up at the retail showroom, provide an environment in which to further train the Company's account executives before they join its telemarketing department.

## **Competition**

The microcomputer products industry is highly competitive. The Company competes with a large number and variety of resellers of microcomputer and related products. In the hardware category, the Company competes with traditional microcomputer retailers, computer superstores, consumer electronic and office supply superstores, mass merchandisers, national direct marketers and value-added resellers. In the software and accessory categories, the Company generally competes with these same resellers as well as specialty retailers. In addition, as a result of improving technology, certain software manufacturers have developed and may continue to develop sales methods that allow customers to download software programs and packages directly onto the customer's system through the use of modem communications. The Company also competes with distributors and manufacturers that sell hardware and software directly to certain customers. In addition, various cost-plus aggregators, franchisers, manufacturers and national computer retailers are opening their own direct marketing operations. Several of the Company's current and potential competitors are larger and have substantially greater resources than the Company. The Company believes that competition may increase in the future, which could require the Company to reduce prices, increase advertising expenditures or take other actions which may have an adverse effect on the Company's operating results.

## **Trademarks**

The Company conducts its business under the trade names and service marks "CDW" and "Computer Discount Warehouse". The Company has taken steps to register and protect these marks and believes they have significant value and are important factors in its marketing programs.

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

All of the Company's existing facilities are leased. As of February 28, 1994, the Company relocated its headquarters and distribution facility to Buffalo Grove, Illinois. The facility occupies approximately 104,000 square feet of leased space, including approximately 3,200 square feet which serves as a retail showroom and is used also for product demonstrations. The lease expires December 31, 2003 and is subject to renewal at the Company's option pursuant to extension options for an additional ten years.

The Company entered into a contract in March 1996 to purchase approximately 27 acres of vacant land in Vernon Hills, Illinois for the purpose of constructing a combined telemarketing, warehouse, showroom and corporate office facility. The Company plans on relocating to the new Vernon Hills facility in the first quarter of 1997. The Company believes that its current facility will be adequate for its needs until the Vernon Hills facility is ready for occupancy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Facilities Expansion" on page 12 of the Company's 1995 Annual Report to Shareholders.

On January 25, 1995 the Company exercised its option to renew its lease for 5,700 square foot retail space it occupies at its Downtown Chicago Showroom. The option permitted the Company to extend its lease of this property for four years. The new lease expires February 28, 1999.

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

In July, 1990, the Company redeemed all shares of the Company's Common Stock then held by Mr. John Marks, a former executive officer, director and shareholder who has since terminated any association with the Company. The purchase price of such redeemed shares was \$506,113, of which \$124,085 was paid in cash and \$382,028 was payable by a promissory note. The note bore interest at a rate of 10% per annum, and principal

and interest was payable in equal quarterly installments of \$31,835, which began in July, 1991 and continued through April 1, 1994, at which time the note was paid in full. The note was personally guaranteed by Mr. Krasny.

In June, 1993, Mr. Marks filed a three-count Complaint in the United States District Court for the Northern District of Illinois, Eastern Division, alleging violations of the federal securities laws, fraud and breach of fiduciary duty in connection with the July, 1990 acquisition of his common stock. Count I alleged violations of Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 promulgated thereunder against the Company and Mr. Krasny. Count II alleged fraud and deceit against the Company and Mr. Krasny. Count III alleged a breach of fiduciary duty against only Mr. Krasny. Mr. Marks sought to rescind the 1990 sale and have himself restored to the position he was in prior to the purchase of his shares or, alternatively, be awarded sufficient damages to compensate him for the damages allegedly sustained including pre-judgment interest. In addition, in Counts II and III, Mr. Marks seeks to recover punitive damages in an unspecified amount.

In July, 1993, the Company and Mr. Krasny filed a motion to dismiss the Complaint. In their motion to dismiss, the Company and Mr. Krasny argued that Mr. Marks' claims for the alleged violation of Section 10(b) and Rule 10b-5 were barred because the statute of limitations for such claims had expired. Further, Mr. Krasny and the Company denied making any misrepresentations and argued, in the alternative, that if any misrepresentations were made, they were not material, nor did they cause Mr. Marks' purported damages. The Company and Mr. Krasny also asserted that certain portions of Mr. Marks' Complaint do not comply with Federal Rule of Civil Procedure 9(b), which requires that fraud claims be plead with particularity. In addition, the Company and Mr. Krasny argued that since the sole basis for federal jurisdiction was Count I, if it is dismissed, Counts II and III should also be dismissed for lack of subject matter jurisdiction.

In September, 1995, the District Court granted, without prejudice, the Company's and Mr. Krasny's motion to dismiss. In its Memorandum Opinion dismissing the Complaint, the Court held Mr. Marks' allegations established that he had inquiry notice of the purported securities law violations no later than July 27, 1990, the date the Company purchased his shares. Because Mr. Marks brought his action in June 1993, beyond the applicable statute of limitations period, and because no facts alleged in the Complaint provided a basis to toll that period, the District Court dismissed the federal securities claims contained in Count I. The District Court then dismissed the state law claims in Counts II and III for lack of federal jurisdiction. The District Court provided Mr. Marks with leave to file Amended Complaint if he could plead facts that enabled him to surmount the statute of limitations obstacles to his claims of violation of federal securities laws.

In October, 1995, Marks filed an Amended Complaint alleging the same three causes of action contained in his original Complaint. The factual allegations of the Amended Complaint are, in management's opinion, essentially the same as those of the original Complaint. The Amended Complaint, however, includes allegations which endeavor to avoid application of the statute of limitations by alleging Mr. Marks' lack of notice of his purported claims. The Company and Mr. Krasny in November, 1995 filed a motion to dismiss the Amended Complaint, arguing that it contained the same deficiencies relative to the statute of limitations and other defects as the original Complaint. The Company and Mr. Krasny are awaiting the District Court's ruling on their motion to dismiss.

The Company and Mr. Krasny believe that their actions were honest and proper and that the suit by Mr. marks is without merit. The Company and Mr. Krasny are committed to vigorously defending the litigation.

Mr. Krasny has agreed that in the event that the Company is ordered to pay damages to Mr. Marks on account of the purchase by the Company of Mr. Marks' shares, Mr. Krasny will indemnify and reimburse the Company for all damages, including amounts, net of tax benefits received by the Company, ordered to be paid and legal fees and costs incurred by the Company in connection with the defense of the litigation and any appeals. In the event the matter is settled, Mr. Krasny has agreed to indemnify and reimburse the Company for

any amount paid to Mr. Marks in settlement of this matter, net of tax benefits received by the Company. No agreement of settlement may be entered into by the Company without the consent of Mr. Krasny. The Company and majority shareholder incurred legal expenses of approximately \$140,000 and \$227,000 for the years ended December 31, 1995 and 1994, respectively, which have been assumed, net of tax, by the majority shareholder. These legal expenses are recorded as a selling and administrative expense and the reimbursement by Mr. Krasny, net of tax, is recorded as an increase to paid-in-capital.

In June 1994, the Company and Mr. Krasny filed in the Circuit Court of Cook County, Illinois, County Department, Law Division, a complaint for contribution against the attorney who represented Mr. Marks in 1990 in connection with his sale of stock to the Company. The complaint alleged that the attorney's professional negligence caused in whole, or in part, the harm, if any, allegedly suffered by Mr. Marks in his lawsuit against Mr. Krasny and the Company described above. In September, 1995, the Company and Mr. Krasny voluntarily dismissed the complaint without prejudice to re-file at a later date.

In August 1994, the Company filed in the Circuit Court of Cook County, Illinois, County Department, Chancery Division, a three-count complaint against Mr. Marks arising out of his employment with a competitor of the Company and his possible wrongful disclosure or use of the Company's proprietary information which he learned while an officer, director and shareholder of the Company. In early 1995, Mr. Marks ceased employment with the competitor. Based on, among other things, Mr. Marks' cessation of employment with the competitor, in June 1995, the Company voluntarily dismissed the complaint without prejudice to re-file at a later date.

**Item 4. Submission of Matters to a Vote of Security Holders.**

There were no matters submitted during the fourth quarter of 1995 to a vote of security holders.

**PART II**

**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.**

The following table sets forth for the Company's Common Stock for the periods indicated, the high and low sales prices on The Nasdaq Stock Market <sup>sm</sup>. These quotations were obtained from Nasdaq. As of March 22, 1996, the Company believes that there were approximately 2,400 beneficial owners of the Company's stock. Except for distributions prior to May 25, 1993, the date of termination of the Company's election to be taxed as an S Corporation, the Company has neither declared nor paid any cash dividends on its Common Stock. The Company currently intends to retain earnings for use in the operation and expansion of its business and therefore does not anticipate paying cash dividends in the foreseeable future.

Quarter Ended	Common Stock			
	1995		1994	
	High	Low	High	Low
March 31 .....	\$39 ¼	\$30 ½	\$18 ½	\$13 ¾
June 30 .....	54 ¼	33 ¾	24	16 ½
September 30 .....	63 ½	49 ¼	29 ½	17 ½
December 31 .....	57 ½	37 ¼	34 ¾	26

**Item 6. Selected Financial Data.**

The information required hereunder is incorporated by reference from the Company's 1995 Annual Report to Shareholders, page 8, attached hereto as Exhibit 13.

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

The information required hereunder is incorporated by reference from the Company's 1995 Annual Report to Shareholders, pages 9 through 12, attached hereto as Exhibit 13.

**Item 8. Financial Statements and Supplementary Data.**

The consolidated financial statements, notes to consolidated financial statements and report of independent accountants required hereunder is incorporated by reference from the Company's 1995 Annual Report to Shareholders, pages 13 through 20, attached hereto as Exhibit 13.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

There were no disagreements with accountants on accounting and financial disclosure matters during the periods reported herein.

**PART III**

**Item 10. Directors and Executive Officers of the Registrant.**

The information on pages 3 through 7 of the Registrant's definitive Proxy Statement dated March 26, 1996 under the captions "Compliance with Section 16(a) of the Securities Exchange Act of 1934," "Election of Directors," "Nominees for Election to Board of Directors," and "Management" is incorporated by reference herein.

**Item 11. Executive Compensation.**

The information on pages 9 through 15 of the Registrant's definitive Proxy Statement dated March 26, 1996 under the captions "Executive Compensation," "Director Compensation; CDW Director Stock Option Plan," "Employment Related Agreements," "Option Grants," "Option Exercises and Fiscal Year-End Values," "MPK Stock Option Plan," "CDW Incentive Stock Option Plan", "MPK Restricted Stock Plan", and "Report of the Compensation and Stock Option Committee" is incorporated by reference herein.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

The information required hereunder is incorporated by reference herein from pages 2 and 3 of the Company's definitive Proxy Statement dated March 26, 1996 under the caption "Security Ownership".

**Item 13. Certain Relationships and Related Transactions.**

The information required hereunder is incorporated by reference from pages 7 and 8 of the Company's definitive Proxy Statement dated March 26, 1996, under the caption "Certain Relationships and Related Transactions".

**PART IV****Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.**

(a) The following documents are filed as part of this report :

1. Index to Financial Statements :	Page in Annual Report <u>to Stockholders</u>
Data incorporated by reference from the 1995 Annual Report to Shareholders, included herein as Exhibit 13 :	
Consolidated Balance Sheets as of December 31, 1995 and 1994	13
Consolidated Statements of Income for the years ended December 31, 1995, 1994 and 1993	14
Consolidated Statements of Shareholders' Equity for the years ended December 31, 1995, 1994 and 1993	15
Consolidated Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993	16
Notes to Consolidated Financial Statements	17
Report of Independent Accountants	20
2. Index to Financial Statement Schedule :	<u>Page</u>
Report of Independent Accountants on Financial Statement Schedule	S-1
Schedule II - Valuation and Qualifying Accounts	S-2

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

3. Exhibits required by Securities and Exchange Commission Regulation S-K, Item 601 :

<b><u>Exhibit No.</u></b>	<b><u>Description of Document</u></b>
2 (a)	Stock Purchase Agreement for Northbrook Ad Agency, Inc. (i)
2 (b)	Agreement and Plan of Merger by and between CDW Computer Centers, Inc. (a Delaware Corporation) and CDW Computer Centers, Inc. (an Illinois Corporation) (i)
2 (c)	Agreement and Plan of Merger by and between CDW Computer Centers, Inc. (a Delaware Corporation) and CDW Computer Centers, Inc. (an Illinois Corporation) (vii)
3 (a)	Certificate of Incorporation of CDW Computer Centers, Inc. (i)
3 (b)	Bylaws of CDW Computer Centers, Inc. (i)

- 3 (c) Articles of Incorporation of CDW Computer Centers, Inc. (an Illinois Corporation) (vii)
- 3 (d) Bylaws of CDW Computer Centers, Inc. (an Illinois Corporation) (vii)
- 10 (a) CDW Computer Centers, Inc. Employees' Defined Contribution Retirement Plan and Trust (i)
- 10 (b) CDW Incentive Stock Option Plan (i)
- 10 (c) MPK Stock Option Plan and Agreement (i)
- 10 (d) MPK Restricted Stock Plan and Agreement (i)
- 10 (e) Employment and Non-Competition Agreement dated as of March 15, 1993 between the Company and Michael P. Krasny (i)
- 10 (f) Employment and Non-Competition Agreement dated as of March 15, 1993 between the Company and Greg C. Zeman (i)
- 10 (g) Employment and Non-Competition Agreement dated as of March 15, 1993 between the Company and Daniel B. Kass (i)
- 10 (h) Employment and Non-Competition Agreement dated as of March 15, 1993 between the Company and Mary C. Gerlits (i)
- 10 (i) Promissory Note dated as of December 31, 1993 between the Company and Michael P. Krasny (i)
- 10 (j) Security Agreement dated as of December 31, 1992 between the Company and Michael P. Krasny (i)
- 10 (k) Loan Modification Agreement dated as of March 17, 1993 between the Company and Michael P. Krasny (i)
- 10 (l) Promissory Note dated March 19, 1993 in the principal amount of \$1,000,000 payable to Gregory C. Zeman (i)
- 10 (m) Security Agreement dated as of March 19, 1993 between the Company and Gregory C. Zeman (i)
- 10 (n) Tax Indemnification Agreement dated as of May 25, 1993 between the Company and Michael P. Krasny (i)
- 10 (o) Lease dated October 12, 1988 between the Company (f/k/a MPK Computing, Inc.), as lessee, and Korman/Lederer & Associates as agent for the beneficiaries of LaSalle National Trust #52601, as lessor, relating to the premises located in Northbrook, Illinois (i)
- 10 (q) Lease Agreement dated July 31, 1989 between the Company (f/k/a MPK Computing, Inc.), as lessee, and IJM Management Limited Partnership, as agent for the owner, as lessor, relating to the premises located in Chicago, Illinois (i)
- 10 (p) Lease Agreement dated February 22, 1993 between the Company, as lessee, and Chevy Chase Business Park Limited Partnership, as lessor, relating to the premises located in Buffalo Grove, Illinois (i)
- 10 (r) Loan and Security Agreement dated as of January 4, 1993 between the Company and American National Bank and Trust Company of Chicago (i)
- 10 (s) Indemnification Agreement between the Company and Michael P. Krasny to be dated as of May 19, 1993 (i)
- 10 (t) CDW Director Stock Option Plan (i)
- 10 (u) Second Loan Modification Agreement dated as of March 22, 1993 between the Company and Michael P. Krasny (i)
- 10 (v) Note dated April 30, 1993 between the Company and American National Bank and Trust Company of Chicago (i)
- 10 (w) Indemnification and Hold Harmless Agreement between Michael P. Krasny and the Company dated May 14, 1993 (i)

10 (x)	Amendment dated as of May 11, 1993 to Lease dated October 12, 1998 between the Company (f/k/a MPK Computing, Inc.), as lessee, and Korman/Lederer & Associates as agent for the beneficiaries of LaSalle National Trust #52601, as lessor, relating to the premises located in Northbrook, Illinois (i)
10 (y)	First Lease Amendment dated as of May 13, 1993 to Lease Agreement dated February 22, 1993 between the Company, as lessee, and Chevy Chase Business Park Limited Partnership, as lessor, relating to the premises located in Buffalo Grove, Illinois (i)
10 (z)	Purchase Agreement dated September 21, 1993 between the Company and C.W. Marketing, Inc. (ii)
10 (aa)	Noted dated July 31, 1993 between the Company and American National Bank and Trust Company of Chicago (iii)
10 (bb)	Note dated June 30, 1994 between the Company and American National Bank and Trust Company of Chicago (iv)
10 (cc)	Master Note between the Company and The Northern Trust Company dated June 30, 1995. (vii)
10 (dd)	Revolving Note between the Company and LaSalle National Bank dated June 30, 1995. (vii)
10 (ee)	Lease Agreement dated January 25, 1995 between the Company, as lessee, and IJM Management Limited Partnership, as agent for the owner, as lessor, relating to the premises located in Chicago, Illinois (vi)
13	Annual Report to Shareholders for the Year Ended December 31, 1995
20	1995 Definitive Proxy Statement dated March 26, 1996
21	Subsidiaries of the Registrant (i)

#### Footnotes

- (i) Incorporated by reference from the exhibits filed with the Company's registration statement (33-59802) on Form S-1 filed under the Securities Act of 1933.
- (ii) Incorporated by reference from the exhibits filed with the Company's quarterly report (0-21796) on Form 10-Q for the quarter ended September 30, 1993.
- (iii) Incorporated by reference from the exhibits filed with the Company's Annual Report to Stockholder's on Form 10-K (0-21796) for the year ended December 31, 1993.
- (iv) Incorporated by reference from the exhibits filed with the Company's quarterly report (0-21796) on Form 10-Q for the quarter ended June 30, 1996.
- (v) Incorporated by reference from the exhibits filed with the Company's registration statement (33-78924) on Form S-1 filed under the Securities Act of 1993.
- (vi) Incorporated by reference from the exhibits filed with the Company's quarterly report (0-21796) on Form 10-Q for the quarter ended June 30, 1995.
- (vii) Incorporated by reference from the exhibits filed with the Company's registration statement (33-94820) on Form S-3 filed under the Securities Act of 1993.

- (b) The Company did not file any reports on Form 8-K during the last quarter of the year ended December 31, 1995.
- (c) The Exhibits required by Item 601 of Regulation S-K are reflected above in Section (a) 3. of this Item.
- (d) The financial statement schedule is included as reflected in Section (a) 2. of this Item.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CDW COMPUTER CENTERS, INC.

Date : March 30, 1996

By : /s/ Michael P. Krasny

Michael P. Krasny, Chairman of the Board,  
Chief Executive Officer, Secretary and  
Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Michael P. Krasny</u> Michael P. Krasny	Chairman of the Board, Chief Executive Officer, Secretary and Treasurer	March 30, 1996
<u>/s/ Daniel B. Kass</u> Daniel B. Kass	Vice President-Sales and Director	March 30, 1996
<u>/s/ Joseph Levy, Jr.</u> Joseph Levy, Jr.	Director	March 30, 1996
<u>/s/ Harry J. Harczak, Jr.</u> Harry J. Harczak, Jr.	Chief Financial Officer	March 30, 1996
<u>/s/ Daniel F. Callen</u> Daniel F. Callen	Vice President-Finance and Chief Accounting Officer	March 30, 1996

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CDW COMPUTER CENTERS, INC.

Date : March 30, 1996

By : \_\_\_\_\_

Michael P. Krasny, Chairman of the Board,  
Chief Executive Officer, Secretary and  
Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Michael P. Krasny	Chairman of the Board, Chief Executive Officer, Secretary and Treasurer	March 30, 1996
_____ Daniel B. Kass	Vice President-Sales and Director	March 30, 1996
_____ Joseph Levy, Jr.	Director	March 30, 1996
_____ Harry J. Harczak, Jr.	Chief Financial Officer	March 30, 1996
_____ Daniel F. Callen	Vice President-Finance and Chief Accounting Officer	March 30, 1996

**EXHIBIT 13**

**ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 1995**

**EXHIBIT 20**  
**1995 DEFINITIVE PROXY STATEMENT**

# **EXHIBITS**