REGULAR COUNCIL MEETING
TUESDAY
OCTOBER 20, 2020

STAFF CONFERENCE ROOM
SECOND FLOOR - CITY HALL
211 WEST ASPEN AVENUE
3:00 P.M.

ATTENTION

IN-PERSON AUDIENCES AT CITY COUNCIL MEETINGS HAVE BEEN SUSPENDED UNTIL FURTHER NOTICE

The meetings will continue to be live streamed on the city's website (https://www.flagstaff.az.gov/1461/Streaming-City-Council-Meetings)

PUBLIC COMMENT PROTOCOL

The process for submitting a public comment has changed and public comments will no longer be read by staff during the Council Meetings.

All public comments will be taken either telephonically or accepted as a written comment.

Public comments may be submitted to publiccomment@flagstaffaz.gov

If you wish to address the City Council with a public comment by phone you must submit the following information:

First and Last Name
Phone Number
Agenda Item number you wish to speak on

If any of this information is missing, you will not be called. We will attempt to call you only one time. We are unable to provide a time when you may be called.

All comments submitted otherwise will be considered written comments and will be documented into the record as such.

If you wish to email Mayor and Council directly you may do so at council@flagstaffaz.gov.

AGENDA

1. CALL TO ORDER

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

MAYOR EVANS	
VICE MAYOR SHIMONI	COUNCILMEMBER ODEGAARD
COUNCILMEMBER ASLAN	COUNCILMEMBER SALAS
COUNCILMEMBER MCCARTHY	COUNCILMEMBER WHELAN

3. PLEDGE OF ALLEGIANCE AND MISSION STATEMENT

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

4. APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

A. **Consideration and Approval of Minutes**: City Council Regular Meeting of April 2, 2019, Work Session of April 9, 2019, Special Meeting of April 10, 2019, Work Session of April 30, 2019, Joint Work Session of May 6, 2019, Regular Meeting of May 7, 2019, Work Session of October 8, 2019, Executive Session of October 15, 2019, Executive Session of November 5, 2019, Executive Session of November 12, 2019, Executive Session of November 19, 2019, Executive Session of November 26, 2019, Executive Session of December 3, 2019, and Executive Session of December 17, 2019.

5. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

6. APPOINTMENTS

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body...., pursuant to A.R.S. §38-431.03(A)(1).

A. **Consideration of Appointments:** Parks and Recreation Commission.

STAFF RECOMMENDED ACTION:

Make one appointment to a term expiring August 2023.

7. LIQUOR LICENSE PUBLIC HEARINGS

A. **Consideration and Action on Liquor License Application:** Amy S. Nations, "Dirty Birdies," 2285 E. Butler Avenue, Series 06 and Series 12, New Applications.

STAFF RECOMMENDED ACTION:

Open the public hearing.
Receive citizen input.
Close the public hearing.

The City Council has the option to:
1) Forward the application to the State with a recommendation for approval;
2) Forward the application to the State with a recommendation for denial based on the testimony received at the public hearing and/or other factors.

8. CONSENT ITEMS

All matters under Consent Agenda are considered by the City Council to be routine and will be enacted by one motion approving the recommendations listed on the agenda. Unless otherwise indicated, expenditures approved by Council are budgeted items.

A. **Consideration and Approval of Grant Application:** The Assistance to Firefighters Grant Program - COVID 19 Supplemental Grant Award of $56,850 with the Federal Portion of $51,681

STAFF RECOMMENDED ACTION:

Approve the application to Assistance to Firefighters Grant Program for grant funds in the amount of $51,681.82 with a city match of $5,168.18

B. **Consideration and Approval of Cooperative Purchase Contract:** Cisco Security Enterprise Agreement with Advanced Network Management, Inc. in an amount not to exceed $294,655.29 (plus applicable taxes)

STAFF RECOMMENDED ACTION:

1. Approve a Cooperative Purchase Contract with Advanced Network Management, Inc. in an amount not to exceed $294,655.29 (plus applicable taxes) over a period of five (5) years under the 1 Government Procurement Alliance (1GPA) cooperative purchase contract 1GPA 19-07PV-01; and
2. Authorize the City Manager to execute the necessary documents.

C. **Consideration and Approval of Cooperative Purchase Contract:** Microsoft Enterprise Agreement Cooperative Purchase Contract in the amount not to exceed $235,229.30 (plus applicable taxes).

STAFF RECOMMENDED ACTION:

1. Approve a Cooperative Purchase Contract with CDW LLC. in an amount not to exceed $235,229.30 (plus applicable taxes) annually, for a period of three (3) years under the State of Arizona Cooperative Purchase Contract 1GPA ADSPO17-149774; and
2. Authorize the City Manager to execute the necessary documents.

D. **Consideration and Approval of Final Plat:** A request by Jon Gauld for Oak 24, a subdivision of two multi-family residential lots on approximately 16,210 square feet located at 24 W Oak Avenue within the High Density Residential (HR) zone.

STAFF RECOMMENDED ACTION:

Staff recommends approving the final plat with the conditions outlined in the staff summary and its attachments, and authorizing the Mayor to sign the final plat when notified by the Development Review Board that all conditions have been met and documents are ready for recording.

E. **Consideration and Approval of Final Plat:** Request by RP4V, LLC and RP40, LLC for approval of Rio Homes Unit 4 Final Plat, a 5.1-acre site located at 1221 E. Emma Dr. This Final Plat is an amendment (replat) to the original Rio Homes Final Plat recorded in 2005. The site is in the Medium Density Residential (MR) Zone and has a Resource Protection Overlay (RPO).

STAFF RECOMMENDED ACTION:

Staff recommends the City Council approve the Final Plat and authorize the Mayor to sign the plat and City Subdivider Agreement when notified by Staff that the documents are ready for recording.

9. ROUTINE ITEMS

A. **Consideration and Approval of Joint Funding Agreement** between the United States Geological Survey and the City of Flagstaff for continued funding towards the C-aquifer Monitoring Program in the amount of $74,288.

STAFF RECOMMENDED ACTION:

1. Approve the Joint Funding Agreement with the U.S. Geological Survey (USGS) to contribute $74,288 from October 1, 2020, to September 30, 2023; and
2. Authorize the City Manager to execute the necessary documents

10. PUBLIC HEARING ITEMS

A. **Consideration and Adoption of Development Fee Study and Ordinance No. 2020-25:** Development Fee Study prepared by TischlerBise; and an Ordinance of the Flagstaff City Council amending Flagstaff City Code, Title 3, Business Regulations, Chapter 3-11 Development Fees, by adopting revised Public Safety development fees.

STAFF RECOMMENDED ACTION:

At the October 20, 2020 Council Meeting:
1) Adopt Development Fee Study
2) Read Ordinance No. 2020-25 by title only for the first time
3) City Clerk reads Ordinance No. 2020-25 by title only (if approved above)

At the November 3, 2020 Council Meeting:
4) Read Ordinance No. 2020-25 by title only for the final time
5) City Clerk reads Ordinance No. 2020-25 by title only (if approved above)
6) Adopt Ordinance No. 2020-25

11. REGULAR AGENDA

A. **Consideration and Adoption of Resolution No. 2020-57:** Approval of an Intergovernmental Agreement (IGA) between the City of Flagstaff and Northern Arizona University (NAU) for Applied Natural Resources Research.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2020-57 by title only
2) City Clerk reads Resolution No. 2020-57 by title only (if approved above)
3) Adopt Resolution No. 2020-57

B. **Consideration and Adoption of Ordinance No. 2020-26:** An ordinance amending Title 11, *General Plans and Subdivisions*, Division 11-10.30, *Specific Plans*, to provide clarification regarding the process for adopting and amending specific plans.

STAFF RECOMMENDED ACTION:

At the October 20, 2020 Council Meeting:
1) Read Ordinance No. 2020-26 by title only for the first time
2) City Clerk reads Ordinance No. 2020-26 by title only (if approved above)
At the November 3, 2020 Council Meeting:
3) Read Ordinance No. 2020-26 by title only for the final time
4) City Clerk reads Ordinance No. 2020-26 by title only (if approved above)
5) Adopt Ordinance No. 2020-26

C. **Consideration and Adoption of Ordinance No. 2020-27:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code, Title 3 Business Regulations, by adopting a new chapter 3-12 Short-Term Rentals; providing for penalties, repeal of conflicting ordinances, severability, and establishing an effective date

STAFF RECOMMENDED ACTION:

At the October 20, 2020 Council Meeting:
1) Read Ordinance No. 2020-27 by title only for the first time
2) City Clerk reads Ordinance No. 2020-27 by title only (if approved above)
At the November 3, 2020 Council Meeting:
3) Read Ordinance No. 2020-27 by title only for the final time.
4) City Clerk reads Ordinance No. 2020-27 by title only (if approved above)
5) Adopt Ordinance No. 2020-27

12. DISCUSSION ITEMS

A. **Flagstaff Police Presentation on Public Safety Commissions.**

13. COUNCIL LIAISON REPORTS

14. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. **Future Agenda Item Request (F.A.I.R.)** A Citizens' Petition requesting that the Council "declare a Housing Crisis in the City of Flagstaff through Emergency Resolution. This action should be followed by the prioritization of housing as a focus of investment, action and support by the City."

15. CITY MANAGER REPORT

A. City Manager Report

16. COVID-19 UPDATES

A. Community Partner and City staff updates on COVID-19

17. INFORMATIONAL ITEMS AND REPORTS FROM COUNCIL AND STAFF, FUTURE AGENDA ITEM REQUESTS

18. ADJOURNMENT

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2020.

_____
Stacy Saltzburg, MMC, City Clerk

4. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Saltzburg, City Clerk
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE

Consideration and Approval of Minutes: City Council Regular Meeting of April 2, 2019, Work Session of April 9, 2019, Special Meeting of April 10, 2019, Work Session of April 30, 2019, Joint Work Session of May 6, 2019, Regular Meeting of May 7, 2019, Work Session of October 8, 2019, Executive Session of October 15, 2019, Executive Session of November 5, 2019, Executive Session of November 12, 2019, Executive Session of November 19, 2019, Executive Session of November 26, 2019, Executive Session of December 3, 2019, and Executive Session of December 17, 2019.

STAFF RECOMMENDED ACTION:

Approve the minutes of the City Council Regular Meeting of April 2, 2019, Work Session of April 9, 2019, Special Meeting of April 10, 2019, Work Session of April 30, 2019, Joint Work Session of May 6, 2019, Regular Meeting of May 7, 2019, Work Session of October 8, 2019, Executive Session of October 15, 2019, Executive Session of November 5, 2019, Executive Session of November 12, 2019, Executive Session of November 19, 2019, Executive Session of November 26, 2019, Executive Session of December 3, 2019, and Executive Session of December 17, 2019.

EXECUTIVE SUMMARY:

Minutes of City Council meetings are a requirement of Arizona Revised Statutes and, additionally, provide a method of informing the public of discussions and actions being taken by the City Council.

INFORMATION:

Attachments:

- 04.02.2019.CCRM
- 04.09.2019.CCWS
- 04.10.2019.CCSM
- 04.30.2019.CCWS
- 05.06.2019.CCJWS
- 05.07.2019.CCRM
- 10.08.2019.CCWS
- 10.15.2019.CCSMES
- 10.15.2019.CCSMES.SecondMeeting
- 11.05.2019.CCSMES
- 11.12.2019.CCSMES
- 11.19.2019.CCSMES

11.26.2019.CCSMES
12.03.2019.CCSMES
12.17.2019.CCSMES

CITY COUNCIL REGULAR MEETING
TUESDAY, APRIL 2, 2019
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
4:30 P.M. AND 6:00 P.M.

MINUTES

1. CALL TO ORDER

Mayor Evans called the meeting of the Flagstaff City Council held April 2, 2019, to order at 4:30 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT: ABSENT:

MAYOR EVANS
VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

3. PLEDGE OF ALLEGIANCE AND MISSION STATEMENT

The Council and audience recited the pledge of allegiance and Councilmember Aslan read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

4. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Water Services Program Manager Tamara Lawless addressed Council about Water Awareness Month, the Mayor's Water Challenge, and their related activities throughout April.

Library Deputy Director of Public Services Michelle Brosseau addressed Council about National Library Week and provided a couple of library program updates.

5. PROCLAMATIONS AND RECOGNITIONS

A. Proclamation: Child Abuse Prevention Month

The City Council came to the podium and Councilmember Odegaard read and presented the Child Abuse Prevention Month proclamation.

B. Proclamation: Water Conservation Month

The City Council came to the podium and Councilmember Aslan read and presented the Water Conservation.

6. APPOINTMENTS

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that the City Council may vote to go into executive session, which will not be open to the public, for the purpose of discussing or considering employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee, or employee of any public body...., pursuant to A.R.S. §38-431.03(A)(1).

A. Consideration of Appointments: Commission on Diversity Awareness.

Moved by Councilmember Regina Salas, **seconded by** Councilmember Jim McCarthy to appoint Khara House to a term expiring September 2019.

Vote: 7 - 0 - Unanimously

B. Consideration of Appointments: Sustainability Commission.

Moved by Councilmember Charlie Odegaard, **seconded by** Vice Mayor Adam Shimoni to appoint Breanna Guzman to a term expiring October 2021.

Vote: 7 - 0 - Unanimously

7. ROUTINE ITEMS

A. **Consideration and Adoption of Ordinance No. 2019-03:** An ordinance of the Flagstaff City Council ratifying the grant and reservation of easements; and formally accepting dedications and donations of easements and real property interests; delegating authority; and establishing an effective date. ***(approving receipt/transfer of easements and real property interests)***

Real Estate Manager Charity Lee provided a PowerPoint presentation that covered the following:

CITY ACCEPTANCE OF VARIOUS PARCELS, EASEMENT AND RIGHTS OF WAY
WHAT DOES REAL ESTATE DO?
WHO APPROVES?
EASEMENT
RIGHT OF WAY
PROCESS
ORDINANCE NO. 2019-03

Vice Mayor Shimoni asked how controversial issues will be handled in the future. Ms. Lee explained that many of the licenses are fairly mundane such as parking licenses or licenses for special events. They are all presented to the City Manager who can determine if there is any sensitivity associated it. Ms. Goodrich indicated that a monthly recap of all signed license agreements and MOUs could be provided to the Council.

Moved by Councilmember Regina Salas, **seconded by** Councilmember Jamie Whelan to read Ordinance 2019-03 by title for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE FLAGSTAFF CITY COUNCIL RATIFYING THE FRANT AND RESERVATION OF EASEMENTS; AND FORMALLY ACCEPTING DEDICATIONS AND DONATIONS OF EASEMENTS AND REAL PROPERTY INTERESTS; DELEGATING AUTHORITY; AND ESTABLISHING AN EFFECTIVE DATE

B. **Consideration and Adoption of Ordinance No. 2019-04:** An ordinance of the Flagstaff City Council authorizing real property to be dedicated as right-of-way, delegating authority, and establishing a effective date.

Ms. Lee provided a PowerPoint presentation that covered the following:

DEDICATING CITY PROPERTY AS RIGHT OF WAY
OVERVIEW MAP
MAP OF EACH AREA
ORDINANCE NO. 2019-04

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Charlie Odegaard to read Ordinance No. 2019-04 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE FLAGSTAFF CITY COUNCIL AUTHORIZING REAL PROPERTY TO BE DEDICATED AS RIGHT-OF-WAY, DELEGATING AUTHORITY, AND ESTABLISHING AN EFFECTIVE DATE

C. **Consideration and Adoption of Ordinance No. 2019-05:** an ordinance of the City of Flagstaff, dedicating certain City property as public right-of-way, all within the area of South Beulah Boulevard and West University Heights Drive; delegating authority to complete the transactions; and establishing an effective date;

Consideration and Adoption of Ordinance No. 2019-08: an ordinance of the City Council of the City of Flagstaff, granting non-exclusive utility easements to Arizona Public Service Company in, over, and across certain City property, within the area of South Beulah Boulevard and West University Heights Drive; delegating authority to complete the transactions; and establishing an effective date.

Ms. Lee provided a PowerPoint presentation that covered the following:

GRANTING EASEMENTS TO APS AND DEDICATING CERTAIN CITY PROPERTY AS PUBLIC RIGHT-OF-WAY

Councilmember McCarthy asked about the work that is currently being done. Project Manager Jeremy DeGeyter indicated that there is already work underway and the ordinance would provide access further south to complete the work.

Ms. Lee continued the presentation.

OVERVIEW MAP
BACKGROUND
TRAILSIDE APARTMENTS PROJECT
WHY DEDICATE CITY PROPERTY AS ROW?
ARIEL MAP

Councilmember Whelan stated that it seems like mistakes were made with the first development and now a new company is coming in and is being charged to fix the original mistakes. She asked if that is a typical practice. Ms. Lee explained that the results of the ordinance directly benefits the development and the City is sharing the cost for the survey work.

Kent Hotsenpiller addressed Council offering that designating the area as public right-of-way allows for more defendable and preferred insurance. This is a HUD project that is 14% affordable and the hope is to get the utility line off the property before closing.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to read Ordinance No. 2019-05 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, DEDICATING CERTAIN CITY PROPERTY AS PUBLIC RIGHT-OF WAY, ALL WITHIN THE AREA OF SOUTH BEULAH BOULEVARD AND WEST UNIVERSITY HEIGHTS DRIVE; DELEGATING AUTHORITY TO COMPLETE THE TRANSACTIONS; AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to read Ordinance No. 2019-05 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, DEDICATING CERTAIN CITY PROPERTY AS PUBLIC RIGHT-OF WAY, ALL WITHIN THE AREA OF SOUTH BEULAH BOULEVARD AND WEST UNIVERSITY HEIGHTS DRIVE; DELEGATING AUTHORITY TO COMPLETE THE TRANSACTIONS; AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Regina Salas to adopt Ordinance No. 2019-05.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Regina Salas to read Ordinance No. 2019-08 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, GRANTING NON-EXCLUSIVE UTILITY EASEMENTS TO ARIZONA PUBLIC SERVICE COMPANY IN, OVER, AND ACROSS CERTAIN CITY PROPERTY, WITHIN THE AREA OF SOUTH BEULAH BOULEVARD AND WEST UNIVERSITY HEIGHTS DRIVE; DELEGATING AUTHORITY TO COMPLETE THE TRANSACTIONS; AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Regina Salas to read Ordinance No. 2019-08 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, GRANTING NON-EXCLUSIVE UTILITY EASEMENTS TO ARIZONA PUBLIC SERVICE COMPANY IN, OVER, AND ACROSS CERTAIN CITY PROPERTY, WITHIN THE AREA OF SOUTH BEULAH BOULEVARD AND WEST UNIVERSITY HEIGHTS DRIVE; DELEGATING AUTHORITY TO COMPLETE THE TRANSACTIONS; AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Regina Salas to adopt Ordinance 2019-08.

Vote: 7 - 0 - Unanimously

D. **Consideration and Adoption of Resolution No. 2019-12:** A resolution approving an Intergovernmental Agreement between the City of Flagstaff and Coconino County regarding the County's continued use of the Joe C. Montoya Community and Senior Center to operate its Senior Nutrition Programs.

Recreation Supervisor Matt Faull addressed Council and explained that the IGA with Coconino County will allow for the continuation of the Senior Nutrition Program at the

Joe C. Montoya Community and Senior Center.

Councilmember Whelan thanked Mr. Faull and the staff at the Senior Center for the work they do and their work with the Meals on Wheels program.

Moved by Councilmember Regina Salas, **seconded by** Vice Mayor Adam Shimoni to read Resolution No. 2019-12 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF FLAGSTAFF AND COCONINO COUNTY REGARDING THE COUNTY'S CONTINUED USE OF THE JOE C. MONTOYA SENIOR CENTER TO OPERATE ITS SENIOR NUTRITION PROGRAMS

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Regina Salas to adopt Resolution No. 2019-12.

Vote: 7 - 0 - Unanimously

E. **Consideration and Approval of Final Plat:** Request from Neighborhood Homes, LLC, for Preliminary Plat approval for Homes at Verkamp Condominiums: a six-unit residential condominium subdivision on a .49-acre site in the R1N Zone with optional T3N.1 zoning.

Planning Development Manager Genevieve Pearthree provided a PowerPoint presentation that covered the following:

REQUEST FOR PRELIMINARY PLAT APPROVAL
HOMES AT VERKAMP CONDOMINIUMS
VICINITY MAP
BACKGROUND/HISTORY
PRELIMINARY PLAT – OVERALL LAYOUT
PRELIMINARY PLAT – DUPLEX DIVISIONS
BUILDING ELEVATIONS: EXISTING HOME
BUILDING ELEVATIONS: NEW DUPLEXES
SYSTEMS ANALYSIS
REQUIRED FINDINGS
STAFF RECOMMENDATION

Councilmember Whelan offered gratitude to the builder for keeping the historic housing and for having thee other buildings around it fit right into the neighborhood.

Councilmember Odegaard asked why there is a Homeowners Association for such a small development. Ms. Pearthree indicated that there are common spaces and land in the project which need to be managed and that can be done through a homeowners association.

Moved by Councilmember Austin Aslan, **seconded by** Councilmember Charlie Odegaard to approve the Preliminary Plat.

Vote: 7 - 0 - Unanimously

RECESS

The 4:30 p.m. portion of the April 2, 2019, Regular Council Meeting recessed at 5:39 p.m.

6:00 P.M. MEETING

RECONVENE

Mayor Evans reconvened the Regular Meeting of April 2, 2019, at 6:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

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8. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT: ABSENT:

MAYOR EVANS
VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

9. PLEDGE OF ALLEGIANCE

The Council and audience recited the pledge of allegiance.

10. PUBLIC PARTICIPATION

Daniel Palm addressed Council about NAU's International Education program and their commitment to providing opportunities for students to participate in international studies for the last 50 years.

John Taylor addressed Council about the City Hall landscape project with TerraBirds.

The following individuals addressed Council in support of a Keep Families Free and Together ordinance:

- Evan Luthye
- Rebecca Ellerbroek

- Sarah Bibby

Written comment cards expressing support for a Keep Families Free and Together ordinance were submitted by the following:

- Ariana Magana
- Courtney Larson
- Lilly Price

11. CARRY OVER ITEMS FROM THE 4:30 P.M. AGENDA

12. PUBLIC HEARING ITEMS

A. Appeal of the Denial by the Planning and Zoning Commission: of Conditional Use Permit PZ-18-0011-02 requested by Pinnacle Consulting on behalf of Verizon Wireless.

Mayor Evans opened the public hearing.

Planning Director Tiffany Antol provided a PowerPoint presentation that covered the following:

PZ-18-00111-02 ANTENNA SUPPORTING STRUCTURE CONDITIONAL USE PERMIT APPEAL
VERIZON ANTENNA SUPPORT STRUCTURE – CUP
PROPOSED SITE PLAN
PROPOSED STRUCTURE
PLANNING & ZONING COMMISSION – JANUARY 9TH
NEIGHBORHOOD MEETING – JANUARY 30TH
PLANNING & ZONING COMMISSION – FEBRUARY 13TH
FINDINGS
ADDITIONAL FINDINGS

The applicant Michelle Lamaro provided a summary of the project.

SUMMARY

Verizon Consulting Engineer Steve Kennedy continued the presentation.

WIRELESS NETWORK CONSULTING
AZ2_FLAGSTAFF-EAST GAMMA SECTOR CURRENT STATE
SITE MAP
OBJECTIVE OF NEW SITE
RF SAFETY
ROOT METRICS – THROUGHPUT MAP

Councilmember Whelan asked why additional antenna cannot be added to the existing tower. Mr. Kennedy stated that Verizon has utilized all the frequency bands available that they have licensed. Flagstaff is a large user of data and they have added all the channels available but there is no more bandwidth available. Adding a piece of hardware to an existing site does not add additional capacity. He offered the analogy that a new site is like a new street and more bandwidth is a new lane. They have added more lanes to all streets available and now it is time for a new street.

The following individuals addressed Council in opposition of the Conditional Use Permit:

- Jennifer Flugstad
- Robyn Zacharias
- Donna Fosberg
- Teresa Peterson
- Anne Anders
- Sue Worthington
- Eric Kolvig
- Ginger VanDiviek
- Alan Bonner
- Juliana Suby
- Jackson Lander
- McKenzie Bevirt
- Lang Suby
- Floyd Bradford
- Margaret Gunderson
- Hans Gunderson
- Michael Yeatts
- Nina Swidler
- Robert Vane
- Carrie Cowger
- Janet Sliva
- Carrie Warman
- Brooks Hart

The following comments were received:

- The tower could affect the research and wildlife in the area.
- The location is a disfavored site.
- Pinnacle Consulting has not proven that the location is not harmful to the health and welfare of the surrounding residents.
- The Mount Elden area needs to be protected.
- 5G and other technologies are not safe and they are harmful to all biological health.
- Putting the tower here would set a bad precedent for Flagstaff and would devalue homes in the area.
- There is not a need for a new tower because there are two other providers in town who are not asking for additional towers.
- This is about money only, Trinity Heights has a significant financial benefit to place the tower on their property.
- There are three pipelines that run through the area and disturbing the ground around them to place a tower would put people in the area at great risk.
- Please uphold the decision of the Planning and Zoning Commission.
- If capacity is needed it should be done in an industrial area.
- Do not set the precedent of allowing cell towers in undesirable areas.
- Concerned about the visual aesthetic in a forested area.
- Concerned about lighting strikes and the fire danger.
- The land is a conservation zone and needs to be protected.
- The applicant has failed to provide the need at the location and there are other locations available.

The following individuals spoke in favor of the Conditional Use Permit:

- Tim Whiteside

- Jennifer Spinti

The following comments were received:

- The trustees for Trinity Heights, the congregation, and United Methodist are all in support of the tower in the proposed location.
- The site is behind the church, east of Fourth Street and the height is similar to the adjacent pine trees, the church would block quite a bit of the view of the tower.
- The tower would be on private property, not the National Forest.
- Supportive of the tower so long as all necessary precautions are taken to protect the residents and follow all regulations set by the FCC.
- Many have benefitted from having cell phone access in the forest for emergency situations.

Written comment cards in opposition of the Conditional Use Permit were submitted by the following:

- Margaret Gunderson
- Hans Gunderson
- Emily Eaves
- Sallie Kladnik
- Chris Eaves
- Mike McMullen
- Sharon Gunderson
- Piero Desimone

A break was held from 7:53 p.m. through 8:05 p.m.

Ms. Lamora offered that the site is not considered a scenic area and it is not technically zoned as such. She also indicated that 5G will not be located at this site. Cell phone use is increasing as is demonstrated by the discontinued use of land lines for a home phone. They follow all guidelines set by the FCC and they have met all the requirements of the Conditional Use Permit.

Councilmember Whelan asked about the hardware on the existing tower and if it has been updated to its highest potential. Ms. Lamora stated that they did an upgrade around 2017 to the remote radio heads and antennas to improve and extend coverage but that the coverage area is shrinking in the area.

Councilmember Whelan asked about efforts to find other preferred sites. Ms. Lamora stated that engineers have looked at all the sites in the area and their capacity. They have determined that a new tower is needed and provided a search ring area to find a site. Unfortunately, in this area all the sites were disfavored, and the most favorable site for coverage was closer to residential units. The Trinity Heights location provides the furthest location to residential units. If there was a preferred site they would have gone there.

Vice Mayor Shimoni asked about the complaints made by Verizon customers about need in that area. Ms. Lamora indicated that carriers are required to meet certain objectives for their FCC licenses and once they start seeing their sites degrade, they have to find another site to meet their FCC requirements. Verizon has been working on this site for six years as coverage has begun to decline.

Vice Mayor Shimoni stated that he has been struggling to make the findings needed to approve the request. In terms of being a disfavorable site, even through you were not given favorable options, there was not enough work demonstrated to find an alternative site. His

primary concerns are within Findings 1 and 2.

Councilmember McCarthy expressed that after considering all the information and hearing from the public he still has a lot of concerns. He does not believe that the findings for a new tower were demonstrated and he is likely to vote no on the appeal and support the Planning and Zoning Commission decision.

Councilmember Odegaards stated that he is not in favor of overturning the Planning and Zoning Commission denial of this applicant for the same reasons the commission cited.

Councilmember Salas indicated that she could not make the findings to support an appeal primarily because the Conditional Use Permit is not consistent with the Zoning Code and the purpose of the site where it is located. She could not make the finding that the proposed use is reasonably compatible with the surrounding area specifically for the impact on public facilities and that it will not disrupt existing utilities.

Councilmember Aslan stated that it seems clear that the need has not been demonstrated and other appropriate sites may be out there he will be upholding Planning and Zoning Commission's earlier decision.

Councilmember Whelan indicated that she also could not make the findings and agrees with the determination of the Planning and Zoning Commission.

Mayor Evans stated that she agrees with what the others have said and she feels that the application was incomplete and the applicant did not prove that they looked for alternative sites.

There being no further comments, Mayor Evans closed the public hearing.

Moved by Vice Mayor Adam Shimoni, **seconded by** Councilmember Austin Aslan to deny the appeal because the Council cannot make the required findings under Disfavored Site Finding 1, New Tower Finding C, and Standard CUP Findings 1, 2B, 3C, D, E, F, and I uphold the decision of the Planning and Zoning Commission.

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Jim McCarthy to add New Tower Finding 1A and Disfavored Site Finding 2.

Vote: 7 - 0 - Unanimously

ORIGINAL MOTION

Vote: 7 - 0 - Unanimously

13. DISCUSSION ITEMS

A. Climate Action and Adaptation Plan Implementation Update

Sustainability Specialist Jenny Neiman provided a PowerPoint presentation that covered the following:

CLIMATE ACTION AND ADAPTATION PLAN IMPLEMENTATION UPDATE
AGENDA

THE PLAN!
OVERARCHING GOALS
PLAN FOCUS AREAS
OPERATIONALIZING EQUITY
ANALYZING IMPACTS OF STRATEGIES AND ACTIONS
COLLABORATION ACROSS THE CITY
WHAT HAS BEEN ACCOMPLISHED
WHAT WE'RE WORKING ON NOW
HIGHLIGHTS OF WHAT'S NEXT
COMMUNITY PARTNERSHIPS
WHAT HS BEEN ACCOMPLISHED?
ONGOING COMMUNITY OUTREACH

Climate Education Vista Lee Bryant continued the presentation.

CLIMATE AMBASSADOR TRAINING
YOUTH PROGRAMMING

Ms. Neiman concluded the presentation.

HIGHLIGHTS OF WHAT'S NEXT
QUESTIONS?

Vice Mayor Shimoni asked what some of the challenges may be moving forward with the progress. Ms. Neiman explained that it is a big task and it takes time to shift the organization. They are working to support staff in making changes and bringing these efforts into staff processes. Their job is to provide resources to other Divisions as they make changes in process and they are excited about putting processes into place to move things along. Sustainability Manager Nicole Antonopoulos added that there are multiple tracks staff is working on such as being able to address community concerns, organizational needs, and implementation strategies. They are a small program and it will be important to build capacity and balance the needs.

Councilmember Aslan stated that he is supportive of the work being done and he is excited about the Climate Action and Adaptation Plan being implemented as fully as possible. He asked if there are things being done in the short, mid, and long term to capture the savings being realized by the City. Ms. Neiman stated that they are currently capturing data in the short term to calculate the overall savings. With more implementation more data can be captured on savings.

Councilmember Aslan asked about interest from other municipalities or governments and if there are requests for information coming in about Flagstaff's program. Ms. Neiman stated that there have been a few requests from students and other municipalities and the Mayor has been doing presentations throughout the state. Ms. Antonopoulos stated that Flagstaff is very involved with the North American Sustainability Network which allows for sharing of work and resources with others throughout the country.

Councilmember Whelan expressed disappointment that the TerraBirds project was shelved. Public Works Director Andy Bertelsen explained that the project was not shelved but rather postponed because staff learned that there is a potential ADOT project that could affect the City Hall lawn. Staff is working with ADOT to understand impacts and timelines as well as with TerraBirds on alternative project ideas.

Mayor Evans offered that she is excited about the positive impacts the plan offers to the business community. There is a perception in general when it comes to environmental movements that it only applies to those who have wealth. It is important for all facets of the community to be involved. She asked if there are ways to build a more diverse wisdom from different aspects and cultures around the City so everyone can feel a level of ownership of the plan. Ms. Neiman agreed that a successful plan will include everyone. They are working on putting together an outreach group that has a primary focus of equity. They are also seeking out individuals to participate in the Climate Ambassador Program that represent all areas and demographics of Flagstaff. It is about building trust in the community and that takes time.

B. **Discussion/Direction:** Current Issues Before Arizona Legislature and Federal Issues.

Interim Assistant to the City Manager Cliff Bryson addressed Council providing a PowerPoint presentation that covered the following:

STATE LEGISLATIVE UPDATE
LEGISLATIVE BILL UPDATE
47 BILLS SENT TO THE GOVERNOR SO FAR
1 VETOED BY THE GOVERNOR
SB 1366 – COMMERCE AUTHORITY; DATA CENTERS
SB 1147 – S/E TOBACCO PRODUCTS; VAPOR PRODUCTS
HB 2559 – P2P CAR SHARING/SB1305 P2P CAR RENTALS
SB 1460 – DIGITAL GOODS, TAX CONFORMITY AND WAYFAIR
HB 2473 – STATE LIQUOR BOARD; MEMBERSHIP
SB 1225 – APPROPRIATION; DEVELOPMENTAL DISABILITIES SERVICES PROVIDERS
SB 1424 – 2020 CENSUS; OUTREACH; APPROPRIATION
QUESTIONS

Council discussed the upcoming State lobbying trip and determined that Mayor Evans, along with Councilmembers Odegaard, Aslan, and Whelan would attend the trip.

Moved by Vice Mayor Adam Shimoni, **seconded by** Councilmember Austin Aslan to continue the meeting in accordance to the City Council Rules of Procedure.

Vote: 3 - 4

AYE: Councilmember Austin Aslan
Councilmember Jamie Whelan
Vice Mayor Adam Shimoni

14. **COUNCIL LIAISON REPORTS**

15. **INFORMATIONAL ITEMS AND REPORTS FROM COUNCIL AND STAFF, FUTURE AGENDA ITEM REQUESTS**

16. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held April 2, 2019, adjourned at 9:38 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on April 2, 2019. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 20th day of October, 2020.

_____
CITY CLERK

CITY COUNCIL WORK SESSION
TUESDAY, APRIL 9, 2019
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
6:00 P.M.

MINUTES

1. Call to Order

Mayor Evans called the Work Session of the Flagstaff City Council held April 9, 2019, to order at 6:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. Pledge of Allegiance and Mission Statement

The Council and audience recited the pledge of allegiance and Ms. Goodrich read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon

4. Public Participation

Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

The following individuals addressed Council urging them to place the Keeping Families Free and Together ordinance on a future agenda:

- Emily Davalos
- Rebecca Ellerbrock
- Josephina Montelago
- Allay
- Kai Simpson
- David Melendez
- Cedric
- Mary Kepher
- Athena Bolton
- Madilyn Sutton

Written comment cards in support of placing the Keep Families Free and Together ordinance on a future agenda were submitted by the following individuals:

- Mackenzie Myhra
- Kai Tayban Beattie

Charlie Silver addressed Council concerning affordable housing and the need to look for ways to incentivize builders through breaks in plan review and development fees.

5. Review of Draft Agenda for the April 16, 2019 City Council Meeting

Citizens wishing to speak on agenda items not specifically called out by the City Council may submit a speaker card for their items of interest to the recording clerk.

Councilmember Odegaard commented on item 9E asking staff to provide additional explanation of the exclusivity of the agreement and what binds the City to that agreement. Sustainability Manager Nicole Antonopoulos indicated that she will explain further in her presentation next week, but it is a non-binding agreement that allows the City to work with APS and the Arizona Corporation Commission and the exclusivity is directly tied to the Hopi parcel.

6. Route 66 Commemoration Project

Beautification & Arts & Science Administrator Mark DiLucido provided a PowerPoint presentation that covered the following:

ROUTE 66 INTERPRETIVE TRAIL AND LUNAR LEGACY UPDATE
ROUTE 66 INTERPRETIVE TRAIL
AERIAL TRAIL MAP
ROUTE 66 – MCALLISTER RANCH
ROUTE 66 – MCCALLISTER RANCH INTERPRETIVE SIGNS
ROUTE 66 – MOENKOPI OUTCROPPING
ROUTE 66 – INTERSECTION AT MILTON
ROUTE 66 – ROUTE 66 WAYSIDE
ROUTE 66 – INTERSECTION HIGHWAY 89
ROUTE 66 – FLAGSTAFF MALL
ROUTE 66 – EAST CITY LIMITS
ROUTE 66 – WALK THIS TALK

Economic Vitality Director Heidi Hansen continued the presentation.

LUNAR LEGACY – WALK THIS TALK
LETTER FROM NASA

Councilmember McCarthy offered that the sign for the mall is not consistent with the other Route 66 signs and suggested that it be eliminated from the plan.

Mayor Evans asked about the voices on the recordings and if there were historic Flagstaff members that could participate. Mr. DiLucido indicated that they have hire a writer and a researcher that has been talking to historic community members, staff can work with them on those possibilities.

7. **Discussion/Direction:** Proposed Amendments to the City of Flagstaff's Procurement Code Manual, Article 25, "Change Orders", Sections 25.1 "Change Order Process", 25.2 "Change Order Conditions", and 25.3 "Change Order Membership."

Purchasing Manager Patrick Brown provided a PowerPoint presentation that covered the following:

PROCUREMENT CODE MANUAL – PROPOSED AMENDMENTS TO ARTICLE 25, "CHANGE ORDERS"
PROCUREMENT CODE MANUAL AMENDMENTS
OVERVIEW
BACKGROUND INFORMATION FOR NEW COUNCIL MEMBERS

City Engineer Rick Barrett continued the presentation.

PROJECT SPECIFIC EXAMPLE – TRADITIONAL DESIGN/BID/BUILD

A break was held from 6:56 p.m. through 7:07 p.m.

Mr. Barrett continued the presentation.

BID SCHEDULE
BRANNEN NEIGHBORHOOD IMPROVEMENTS – PHASE 1
16 FIELD ORDERS ISSUED AGAINST THE CONTRACT ALLOWANCE

Councilmember Whelan stated that it would be helpful to have a spreadsheet that shows all projects over the last two years, the contingencies that were authorized, and the total spent

from those contingencies.

Ms. Goodrich explained that a report has been generated that covers projects completed in 2016 and 2017 and she will provide that to Council. The data will be collected for ongoing projects.

Public Works Director Andy Bertelsen continued the presentation.

PROJECT SPECIFIC EXAMPLE – CONSTRUCTION MANAGER AT RISK (CMAR)
2015 STREET MAINTENANCE PROJECTS (PHASE 2) CHIP SEAL:

Councilmember Whelan asked why there is a contract contingency when there is also an owners contingency and change order allowance. Mr. Bertelsen explained that the contract contingency provides an opportunity to get additional work done in the community if the opportunity presents itself within the project. The contractor may not use those monies unless authorized by the City to do so.

Mr. Bertelsen continued the presentation:

REHABILITATION OF FUTS TRAIL (PONDEROSA TRAILS)
IMPROVEMENTS OF ARROYO PARK

Mr. Brown concluded the presentation.

PROPOSED AMENDMENTS: SECTION 25.1 “CHANGE ORDER PROCESS” LETTER (A)
PROPOSED AMENDMENTS: SECTION 25.1 “CHANGE ORDER PROCESS” LETTER (B)
PROPOSED AMENDMENTS: SECTION 25.1 “CHANGE ORDER PROCESS” LETTER (E)

Councilmember Odegaard asked if there are a lot of single change orders over $50,000. Mr. Brown stated that every project is different but there are not many because the approved contract allowances and contingencies are able to cover most of the changes that come up.

Mayor Evans asked if when the total of the requested change orders reaches $50,000 that it come to Council for approval along with any subsequent change orders for that project. She also asked for clarification on the current process. Mr. Brown explained that the current process is that any change order in excess of the awarded contract authority would come to Council for approval. Ms. Goodrich offered that staff can accommodate the request is that is the desire of Council however, if Council wants to see all change orders once they cumulatively exceed $50,000 that it may create time delays which could have a significant impact on projects, especially the larger projects.

Council agreed that going forward the City Manager has authority to approve all change orders within the amount approved by Council but once that is expended any change orders that exceed $50,000 will be brought to Council for approval.

Mr. Brown continued the presentation.

PROPOSED AMENDMENTS: SECTION 25.2 “CHANGE ORDER CONDITIONS”, LETTER (A)
PROPOSED AMENDMENTS: SECTION 25.2 “CHANGE ORDER CONDITIONS”, LETTER (B)
PROPOSED AMENDMENTS: SECTION 25.2 “CHANGE ORDER CONDITIONS”, NEW LANGUAGE

Councilmember Odegaard stated that many of the proposed changes seem to clarify things which is good. He wants to make sure that the changes proposed are not in any way or

perceived to be, hindering current and future projects. Mr. Brown offered that he does not see any of the changes as hindering to the bid process or attracting bidders, nor would they be detrimental to projects.

8. Presentation regarding the 2019 Community Development Block Grant/ Annual Action Plan recommendations.

Housing Project Manager Leah Bloom provided a PowerPoint presentation that covered the following:

2019 ANNUAL ACTION PLAN - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
TONIGHT
CDBG OVERVIEW
HOW CAN THE CITY SPEND THE MONEY?
2018 ACCOMPLISHMENTS
COUNCIL DIRECTION & STAFF RESPONSIBILITIES
PUBLIC PARTICIPATION PROCESS
CONDUCTING RISK ASSESSMENT PER PROPOSAL
HOW MUCH MONEY ARE WE TALKING ABOUT?
HOW MUCH MONEY ARE WE TALKING ABOUT FOR EACH CATEGORY?
PUBLIC SERVICE PROPOSALS
HOUSING FUNDING
THIS YEAR'S GRANT PROPOSAL

Mayor Evans asked who was on the ranking committee. Ms. Bloom explained that they do not share the names but that there are three internal staff members, a representative from a non-profit, a professor or lecturer from NAU, and representation from one of the target neighborhoods.

Ms. Bloom continued the presentation.

FUNDING RECOMMENDATION PUBLIC SERVICE PROPOSALS
FUNDING RECOMMENDATION HOUSING PROPOSALS
NEXT STEPS

Councilmember Odegaard stated that there has been concern about the restrooms at the Flagstaff Family Food Center and asked why that project was not funded. Ms. Bloom explained that the Food Center is a new applicant for CDBG funding, and their scope of work included a lot of different projects. Often times giving a new applicant the opportunity to experience and understand the requirements and compliance that comes with CDBG, it is a less risky offer for them to do a smaller project first and build on that in future applications. With allowing the Food Center to have a smaller, yet meaningful, project they will still serve at least 3,000 low to moderate income users in the community and the category they are in has easy reporting and administration requirements which will provide a good introduction to the program.

Councilmember McCarthy asked if the funding allocation for the Owner-Occupied Housing Rehabilitation program is higher than last year. Ms. Bloom stated that the allocation is substantially higher because there was no funding allocated last year. There are eight households on the waiting list and the funding will be able to help those households with their needs.

Councilmember McCarthy also asked about the impact of the reduction to the Flagstaff Shelter Services request. Executive Director of Flagstaff Shelter Services Ross Altenbaugh stated that they will serve 40% of the people listed in their original proposal. She stated that one of the

biggest barriers to housing is access to income and employment. The CDBG funding will allow for the development of a new program that will help people reduce those barriers. They will be working closely with Goodwill, the Literacy Center, Quality Connections, NAIPTA and others to increase opportunities for employment.

9. Emergency Management Roles and Responsibilities for Elected Officials

Deputy Chief Jerry Bills introduced Grants and Contracts Manager Stacey Brechler-Knaggs and Coconino County Emergency Operations Manager Todd Whitney. Deputy Chief Bills provided a PowerPoint presentation that covered the following:

EMERGENCY MANAGEMENT TRAINING
EMERGENCY MANAGEMENT
CITY SERVICES CONTRIBUTING TO THE PHASES OF EMERGENCY MANAGEMENT
AUTHORITIES
ROLE OF FLAGSTAFF ELECTED OFFICIALS
POLICY GROUP
MAYOR
CITY COUNCIL
MANAGING PUBLIC INFORMATION
INFORMATION RELEASE
ROLES…WHEN?
EMERGENCY OPERATIONS CENTER (EOC)
EMERGENCY OPERATIONS CENTER FUNCTIONS
EMERGENCY OPERATIONS CENTER DECISION POINTS TO OPEN
LEVELS OF EOC ACTIVATION

10. Board and Commission interactions with City Council.

City Clerk Stacy Saltzburg addressed Council seeking direction on how the Council would like to interact with their boards and commissions. She reported that the Clerk's office has been working on creating a new manual specifically for staff liaisons as well as doing a complete overhaul of the member manual to better clarify and provide guidance on their respective roles. The manuals will also include information about the expectations for communication.

Ms. Saltzburg offered that a majority of communities in Arizona have a board and commission program similar to Flagstaff's. Many of their communication processes consisted of updates provided by the commissions on an as needed basis through written reports to Council. Another common practice was that a member of Council was assigned to each commission as a representative to provide information and communication between the commission and Council. They are not to be considered a voting member just a representative that would report regularly at Council meetings about the work being done by the commissions they represent and provide direction from the Council back to the commission. Flagstaff had a similar practice a number of years ago but was discontinued at the request of Council.

Ms. Saltzburg asked the Council to provide direction on if they wanted a Councilmember liaison assigned to each commission and how they wanted to receive updates and recommendations from the commissions.

The Council gave direction that a Council Liaison should be assigned to the following commissions:

- Airport Commission
- Beautification and Public Art Commission

- Commission on Diversity Awareness
- Commission on Inclusion and Adaptive Living
- Heritage Preservation Commission
- Housing Commission
- Open Spaces Commission
- Parks and Recreation Commission
- Sustainability Commission
- Tourism Commission
- Transportation Commission
- Water Commission

The assigned Council Liaison will report to Council on the work of their respective commissions and provide information back to the commissions.

The Council requested that each quarter there be updates from commissions to provide an overview of their current work plan and receive direction from Council on any additions to their work program. During these updates Council would like to have an opportunity to review the establishing ordinance for the commission to provide any direction on possible changes.

Council also requested that any recommendations from the commissions be submitted through the staff liaison to the City Manager who can then provide the information to Council or place the item on a future agenda.

11. **Discussion:** Establish/Create the Affordable Housing Commission Discussed in Prop 422.

Mayor Evans stated that there is interest in establishing an Affordable Housing Commission as described in Proposition 422.

Councilmember McCarthy offered that housing is a major issue in Flagstaff and it makes sense to have a commission but he would not want to limit the commissions work to just affordable housing. He would like to see a broader focus for the commission to include other housing related matters such as how to facilitate more affordable market rate housing. Mayor Evans agreed that the commission should have a very broad scope and not be limited to one type of housing.

Rick Lopez addressed Council in support of creating a Housing Commission. He stated that the commission should be made up of representatives from non-profits, industry experts, employers, and citizens. He also stated that it will be very important for the commission to be involved in the policy making process.

Councilmember Odegaard stated that the commission needs to have concrete steps and recommendations that will be brought forward for Council to consider and implement.

Council agreed that a Housing Commission should be created and that a discussion about its purpose and membership should be scheduled as quickly as possible.

Councilmember Whelan asked what the timeline might look like. Housing Manager Sarah Darr stated that Housing staff will come to Council with some options for the scope of the commission as well as recommendations on possible membership. She indicated that this can happen fairly quickly but she is hesitant to commit to a date.

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Charlie Odegaard to continue the meeting in accordance with the City Council Rules of Procedure.

Vote: 6 - 0 - Unanimously

12. **Discussion:** Natural habitats on City property be labeled & set aside when mowing occurs.

Parks and Recreation Director Rebecca Sayers addressed Council stating that staff is excited to begin work on a pilot project in the spring. There is some land at the cemetery they will be using and they are working with local partners on some different seed mixtures for use as pollinator gardens. They are happy to work with other local partners on other locations and opportunities within the City parks.

Tyler Lineer addressed Council with concerns about the City's use of weed removal chemicals. He would like the City to look at safer chemicals and more responsible weed removal. He also encouraged the use of native plants on City property.

Ms. Sayers offered that the Parks Section has been doing research on ways to move away from chemicals and different methods for dealing with weeds.

Councilmember Whelan stated that she is happy to hear about the efforts being made and she would like to see those efforts continue and expand.

Councilmember Aslan agreed and added that anything that the City can do to improve and enhance the natural environment is great.

The Council was supportive of the efforts and encouraged staff to continue to look for improvements.

13. **Current Issues Before Arizona Legislature and Federal Issues.**

Ms. Goodrich stated that the State Legislative trip is tomorrow morning. Council and staff will be meeting at 6:00 a.m. in the City Hall parking lot to travel to Phoenix. There is a robust agenda with a number of meetings scheduled. It should be a good and worthwhile trip.

14. **Public Participation**

Deputy Police Chief Dan Musselman addressed Council stating that community and cooperation are an essential part of effective policing. It is important for people to report crime and speak up. There was a meeting on April 4, 2019 and the advice that was given to attendees, who were advocates for the undocumented community, was to not commit crimes that would bring them to the attention of the Police Department such as domestic violence and drunk driving. He also reiterated that if someone is stopped and cited for a traffic violation that they take care of those issues so their license does not get suspended and warrants do not get issued for their arrest because if arrested immigration status has to be checked. He stated that there are victims of crime that may be hesitant to report because they are undocumented and that was addressed in the meeting as well. The Flagstaff Police Department wants people to contact them and it is their policy to not inquire about the immigration status of witnesses and victims of crime.

15. **Informational Items To/From Mayor, Council, and City Manager; future agenda item requests**

Councilmember Whelan provided some information regarding the timeline of the Keep Families Free and Together agenda item. There were some concerns with the language in

the proposed ordinance and the City Manager is committed to placing the item back on the agenda once those concerns can be worked out with the submitters. There are meetings scheduled for these concerns to be vetted and addressed. The item will be coming back for Council discussion in the future.

Councilmember Salas indicated that she was excited for the legislative trip tomorrow.

Councilmember Odegaard thanked Councilmember Whelan for providing an update on the Keep Families Free and Together item. He also requested a FAIR item to discuss the creation of a Veteran's Liaison Coordinator position.

Councilmember Aslan stated that the goal is for everyone in the community to feel safe and to have resources available to them to be safe. He looks forward to future conversations on the matter.

Councilmember McCarthy reported that he recently did a ride-a-long with Officer Williams; it was a great experience and he learned a lot. He recommended that others take the opportunity to do a ride-a-long. He also reported that he has met with representatives of the Repeal Coalition about the Keep Families Free and Together ordinance.

Councilmember Whelan reported that she participated in the Innovate Waste Challenge and Tyler Lineer with Praxis Plastics won the $8,000 award for his business' efforts. She also reported that many of the Council attended the APS 101 and the Feast of Flagstaff events.

16. Adjournment

The Flagstaff City Council Work Session of April 9, 2019, adjourned at 10:24 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY COUNCIL SPECIAL MEETING WITH STATE LEGISLATORS
WEDNESDAY, APRIL 10, 2019
ARIZONA STATE CAPITOL
1700 WEST WASHINGTON
PHOENIX, ARIZONA
(MEETING AT FLAGSTAFF CITY HALL
211 WEST ASPEN AT 6:30 A.M.)

MINUTES

1. CALL TO ORDER

Council members and staff met at 6:30 a.m. at Flagstaff City Hall and traveled to Phoenix. At 8:30 a.m. The Mayor, Councilmembers and staff meet with State Lobbyists Todd Madeksza at the Arizona League of Cities and Towns building and then walked to the meeting location.

2. Roll Call

PRESENT:	ABSENT:
MAYOR EVANS COUNCILMEMBER ASLAN COUNCILMEMBER ODEGAARD COUNCILMEMBER MCCARTHY	VICE MAYOR SHIMONI COUNCILMEMBER SALAS COUNCILMEMBER WHELAN

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon

3. Traveling (6:00 a.m.) and Meeting (1st meeting at 9:30 a.m.) with Arizona State Legislators.

At 9:30 a.m. the Mayor and Councilmembers met with Representative Arlando Teller and discussed short-term rentals, affordable housing, Highway User Revenue Funds (HURF), and Wayfair/digital goods.

At 10:00 a.m. the Mayor and Councilmembers met with Representative Myron Tsosie and discussed short-term rentals, HURF, Heritage Funding, and Wayfair/digital goods.

At 10:30 a.m. Mayor Evans and Mr. Bryson met with Senator Sylvia Allen and discussed SB1225 as it relates to the State Budget, affordable housing, and short-term rentals.

At 11:00 a.m. the Mayor and Councilmembers met with Representative Walt Blackman and discussed SB1225 as it relates to the State's budget, and State pre-emption related to affordable housing and short-term rentals.

A break was held from 11:30 a.m. through 1:00 p.m.

At 1:00 p.m. the Mayor and Councilmembers met with President Karen Fann and discussed Wayfair/digital goods, the State's budget and funding, affordable housing, and short-term rentals.

At 1:30 p.m. the Mayor and Councilmembers met with Senator Jamescita Peshlakai and

discussed affordable housing, short-term rentals, and HURF funding.

At 2:00 p.m. the Mayor and Councilmembers met with Representative Bob Thorpe and discussed SB1225, Heritage Funding, and HURF funding.

4. ADJOURNMENT

The Flagstaff City Council Special Meeting with State Legislators of April 10, 2019, adjourned at 2:30 p.m. at which time the Mayor and Council travelled back to Flagstaff.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY COUNCIL WORK SESSION
TUESDAY, APRIL 30, 2019
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
6:00 P.M.

MINUTES

1. Call to Order

Mayor Evans called the Work Session of the Flagstaff City Council held April 30, 2019, to order at 6:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. Pledge of Allegiance and Mission Statement

The Council and audience recited the pledge of allegiance and Councilmember Aslan read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon

4. Public Participation

Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Dennis Lavin addressed Council with concerns about the City's unfunded pension liability.

Community Investment and Redevelopment Manager David McIntire introduced Tyler Lineer, the winner of the City's first Innovate Waste Challenge, which was a partnership between Economic Development and Sustainability.

Marketing and Media Relations Manager Lorri Pappas addressed Council stating that the week of May 5, 2019 is National Tourism Week and invited Council to participate in the various activities being offered.

5. Review of Draft Agenda for the May 7, 2019 City Council Meeting

Citizens wishing to speak on agenda items not specifically called out by the City Council may submit a speaker card for their items of interest to the recording clerk.

Councilmember Odegaard requested the NAIPTA PowerPoint presentation for item 14A be sent to Council in advance of the meeting.

6. Recognition in memory of past Tourism Commission Chairperson, Debbi Grogan

The City Council, Convention and Visitors Bureau employees, and members of the Tourism Commission gathered at the dais and provided a recognition to past Tourism Commission Chairperson Debbi Grogan. Convention and Visitors Bureau Director Trace Ward presented Ms. Grogan's family with a plaque dedicating a conference room at the Milligan House in her honor.

7. Council Business Listening Tour - Tourism Sector

Mr. Ward addressed the Council stating that this quarter's Council Business Listening Tour is focusing on the tourism sector. He introduced Bonnie Bouschet with the Flagstaff Mall, Uli Hauck from Eagle Rider, Linda Apple from Single Speed Café, and Daniel Adams from Lowell Observatory.

Ms. Bouschet provided a PowerPoint presentation that covered the following:

FLAGSTAFF MALL
CHALLENGES
COMMUNITY PARTNER
MALL EVENTS
PRODUCT DEMONSTRATIONS/SAMPLING, DISPLAYS, TOURS
REDEVELOPMENT 2019/20

PLANET FITNESS – COMING SOON!
STARBUCKS – COMING SOON!
PHASE 2 – ENTERTAINMENT 2020
LET'S KEEP OUR TAX DOLLARS LOCAL!

Vice Mayor Shimoni asked if there has been any discussion about utilizing the mall parking lot more strategically. Ms. Bouschet indicated that they have been reaching out to community partners to make them aware of the opportunities available for the use of their lots.

The Council thanked Ms. Bouschet for her presentation and expressed excitement for the plans at the mall.

Mr. Hauck provided a PowerPoint presentation that covered the following:

EAGLERIDER FLAGSTAFF
INTRODUCTION
COMPANY
OWNER
WHAT WE DO
ESTABLISHED
TEAM
CHALLENGE
SUCCESS
LET'S IGNITE YOUR EXPERIENCE

Vice Mayor Shimoni asked how many clients a week are renting vehicles. Mr. Hauck indicated that it is around 300 with a majority coming from Europe, with France, Germany and Spain being the top three.

Council thanked Mr. Hauck for his presentation and the efforts his business makes to keeping Route 66 alive.

Linda Apple with Single Speed Café addressed Council offering that they have been in business for just over two years. They have 14 employees plus herself. Single Speed Café handcrafts all of their drinks and are known for their excellent coffee and homemade food. Their mission is for every person who walks out the door leaves a little happier than when they arrived. To facilitate a culture of community, they participate in as many community events as possible. Some of the challenges they have with operating their business in Flagstaff is reaching the local market; being new and the rising cost of business requires them to bring in more customers. She offered that she is excited to work with the City to continue promoting Flagstaff as a vibrant place to discover and increase visitation.

Vice Mayor Shimoni offered that he enjoys the space at Single Speed Café and commented on the friendliness of the employees. He noted that their social media presence is great and encouraged them to continue utilizing that platform.

Councilmember Odegaard thanked Ms. Apple for her commitment to sustainability and utilizing reusable dishes both in the café and also in their catering.

Councilmember Whelan expressed appreciation for their service minded philosophy of running the business and offered that the space is great for meeting with people.

Councilmember Salas indicated that Single Speed Café is an excellent example of an independent business. She also thanked Ms. Apple for her mindfulness in being green and

sustainable.

Mayor Evans shared that she is impressed with the café and added that she meets people there all the time for meetings and visiting. She recommended that Ms. Apple connect with Ms. Madeksza with the Downtown Business Alliance to discuss possible connections between downtown and the southside.

Dr. Danielle Adams, Deputy Director for Marketing and Communications for Lowell Observatory, addressed Council and offered a PowerPoint that covered the following:

LOWELL OBSERVATORY
ESTABLISHED: MAY 28, 1894
MISSION: ASTRONOMICAL RESEARCH
ANDERSON MESA
HAPPY JACK
MARS HILL
MISSION: PUBLIC EDUCATION
VIDEO
OUR CHALLENGE: CAPACITY
GIOVALE OPEN DECK OBSERVATORY
SUCCESS
LUNAR LEGACY PROGRAM

Councilmember Odegaard expressed birthday wishes to Lowell Observatory and indicated that he is looking forward to the upcoming tour.

Councilmember Whelan offered gratitude to Lowell Observatory for their enthusiasm and community participation in Flagstaff.

Councilmember McCarthy thanked Lowell Observatory for their contributions to the Lunar Legacy events.

Councilmember Salas thanked Lowell Observatory for being a partner with the City and for working with the City on dark sky standards. She expressed excitement for the upcoming lights out and star gazing events.

Mayor Evans thanked Lowell Observatory for their contribution to the City's Dark Sky Specialist position and for partnering with the City to develop the dark sky standards and protect the dark skies that are so important to Flagstaff.

8. Water Conservation Strategic Plan Update

Water Services Program Manager Tamara Lawless provided a PowerPoint presentation that covered the following:

WATER CONSERVATION STRATEGIC PLAN UPDATE
STRATEGIC PLAN PROCESS
OUTREACH OVERVIEW – CONSERVATION MEASURE SELECTION
CURRENT ACTIONS (MEASURES)
NEW ACTIONS (MEASURES)
NEXT STEP: COST BENEFIT ANALYSIS & SCENARIO BUILDING

Councilmember Aslan noted that California recently made some changes that if someone wants to sell a home certain upgrades must be done in order to get it on the market. He

indicated that he would like to see some research on their program and other similar efforts. It is a way to integrate upgrades and retrofits into a house that his changing ownership.
Ms. Lawless offered that one of the benefits to using the chosen consultant is that they are based out of California and have some insight into some of the things on the forefront.

Councilmember Whelan expressed a desire to have a water conservation specialist at the table when developers come into Flagstaff to have input into the various negotiating points.

Councilmember McCarthy asked about the consideration of reclaimed water as future drinking water. Ms. Lawless explained that there were some additional funds allocated to ensure that reclaimed water was evaluated as an asset. The consultant will be doing a reclaimed water analysis that will include the future uses of reclaimed water.

Councilmember Aslan extended his support of Councilmember Whelan's suggestion to include a water conservation representative in discussions with developers and landscapers to promote water conservation efforts.

9. Rethink Waste Plan Update

Sustainability Specialist Dylan Lenzen provided a PowerPoint presentation that covered the following:

RETHINK WASTE UPDATE
OUTLINE
RETHINK WASTE PLAN FRAMEWORK FOR ACTION
PHASE 1 – ESTABLISHING THE FOUNDATION
LONG-TERM GOALS
WHAT WE'VE ACCOMPLISHED
HIGHLIGHTS
DATA AND BASELINE METRICS
CHALLENGES
WHAT WE'RE WORKING ON
REGULATION OF PRIVATE HAULERS
RECYCLING OUTREACH
NEED TO REDUCE CONTAMINATION
OTHER INITIATIVES

Public Works Director Andy Bertelsen shared that the recent inspection initiative was not received well by the community so those efforts were halted until additional information could be provided to the community about the purpose and intent. It is important to make sure that the correct information is being shared and that people understand what is and is not happening during those inspections.

Councilmember Whelan indicated that there has bee a lot of work done in the effort to educate the community about recycling and its importance. She encouraged staff to continue utilizing the hanging tags on trash receptacles and continue efforts to make the public aware of the purpose of that program.

Councilmember Aslan offered that the City has a right and an obligation to conduct the inspections and that he is not concerned about the backlash. The smallest amount of education can make a big impact and once trash is placed in a public bin and on the curb, it is no longer a privacy issue. Other communities are getting improved results when these practices are happening.

Councilmember McCarthy expressed concern about people putting regular trash into the recycle containers when the smaller trash cans are rolled out. He stressed the importance of a good education program to make sure people are fully aware of what can and cannot be recycled.

Councilmember Odegaard shared his enthusiasm about the new blue recycling containers. He stated that having consistency with all the recycling dumpsters is very important. He is not interested in inspecting the trash in the cans at this time because the messaging and education needs to be strong and consistent first. It has to be a heavy information campaign about why we are doing this and the goal.

Councilmember Salas asked how many private haulers there are in Flagstaff. Mr. Bertelsen stated that there are a number of private haulers, some big like Waste Management and other smaller outfits. There are a lot of the commercial businesses and multi-family residential properties that have national contracts and the City has to compete for their business. Councilmember Salas stated that she would like to see policy options for regulating private haulers in Flagstaff.

Councilmember Whelan shared that there are some municipalities who are choosing not to recycle because of the cost. Mr. Lenzen offered that it seems like the smaller and rural communities have been hit hardest along with coastal communities and that is where reductions in recycling service are being seen. There are many places that do not have a good return on investment for recycling and rather than passing on the added cost to their citizens they discontinue the service.

Vice Mayor Shimoni encouraged a much stronger messaging campaign and letting people know about what the plan is before it begins. He asked if there had been any consideration of stickers on the cans indicating what is recyclable. Mr. Lenzen said that the new blue residential carts have a sticker that shows what is acceptable and with the dedicated outreach funding stickers may be put on other cans.

Vice Mayor Shimoni asked if staff is working with NAU for the upcoming student move out. Mr. Lenzen stated that they are working with NAU and Goodwill will be collecting donatable materials curbside. This effort will divert waste from the landfill and save money with bulky pick up and illegal dumping.

Councilmember Odegaard expressed interest in exploring regulations on private haulers, messaging is important and the private haulers should mirror the same elements with the proper bin coloring and other things.

Mayor Evans agreed that the messaging is extremely important and educating people about laws needs to be very clear. She also expressed a need to change the messaging about students moving out and suggested a video that discusses the partnership between NAU and Goodwill, what they are collecting, how much revenue that generates, and how those materials are being used.

A break was held from 8:05 p.m. through 8:15 p.m.

10. Proposed City Code Revisions - Electric Bikes and Electric Scooters

Sustainability Manager Nicole Antonopoulos provided a PowerPoint presentation that covered the following:

CITY CODE REVISIONS ELECTRIC BIKES AND ELECTRIC SCOOTERS
DISCUSSION
WHY PROPOSE REVISIONS?

Multimodal Transportation Planner Martin Ince continued the presentation.

ARIZONA LEGISLATION – ELECTRIC BICYCLES
CLASS 1 AND 2
CLASS 3
ARIZONA LEGISLATION – ELECTRIC SCOOTERS
EXISTING CITY CODE
WHERE SHOULD ELECTRIC BIKES AND ELECTRIC SCOOTERS BE ALLOWED IN FLAGSTAFF?
COMMUNITY INPUT
GENERAL THEMES
HIGHLIGHTS OF PROPOSED CODE REVISIONS

Ms. Antonopoulos concluded the presentation with next steps.

Vice Mayor Shimoni indicated that he is comfortable moving forward with the recommendations and feels that Class 1 and 2 e-bikes can be permitted on paved and unpaved FUTS trails.

Councilmember Aslan agreed stating that there has been so much investment in connecting Flagstaff through the FUTS system that e-bikes should be able to be used on them with consideration to safety and speed limits.

Councilmember Odegaard asked if bikes are permitted on sidewalks. Mr. Ince stated that current City Code allows bikes on sidewalks unless posted by signs. Signs are posted in downtown and on San Francisco and Beaver on the southside.

Councilmember Odegaard stated that he prefers the recommendation from the survey results. He expressed concern about those who use the FUTS for walking and hiking being at risk with e-bikes on the trails.

Councilmember Whelan stated that bike lanes need to be improved before more people are thrown into the cycling mix. Bike lanes need to be well marked and in some areas widened. She asked about the liability if someone gets hurt using one of the bikes. Ms. Antonopoulos indicated that the bike share company will be required to have full liability insurance.

Councilmember McCarthy noted that the survey comments seem to be very polarized with some people using the FUTS trails to avoid motorized areas and others saying not to limit them because that is what is used to commute. He does not believe that scooters should be allowed on the FUTS trails. He also believes that there should be a speed limit placed on the FUTS trails because there are many people who walk the trails. He would also like to see a rule that prohibits texting or using a phone while operating e-bikes. He is willing to accept Class 1 and 2 e-bikes on FUTS trails but with reservation.

Mayor Evans stated that she does not think that the survey population of 200 was an accurate representation of the community. She does not believe that any electric bikes should be permitted on FUTS trails. She added that there is a lack of enforcement of bicycle rules and it makes it very dangerous for cars and people.

Councilmember Salas echoed the Mayor’s comments and added that there needs to be

stronger enforcement on helmets, reflectors, and lights. She does not believe that bikes or scooters should be permitted on sidewalks. She has concerns with allowing e-bikes and scooters on FUTS trails citing the number of people walking, some with strollers and pets which may create conflicts if these types of bikes are added into the mix.

Vice Mayor Shimoni asked if there are laws in place for biking under the influence. Senior Assistant Attorney Christina Parry stated that staff is presenting to a number of commissions for additional discussion and further research is being conducted on the matter.

A written comment card in support of e-bikes on FUTS trails was submitted by David Spence.

A written comment card in opposition of e-bikes on FUTS trails was submitted by WM. Michael Wilson.

Councilmember Whelan again asked about the legalities associated with the conditions of bike lanes and trails in the city.

Moved by Councilmember Jamie Whelan, **seconded by** Mayor Coral Evans to recess into Executive Session for legal advice.

Vote: 7 - 0 - Unanimously

The Council recessed into Executive Session at 9:05 p.m. and reconvened into Regular Session at 9:27 p.m.

Council agreed that additional information is needed and asked staff to come back and present at a later meeting.

11. 2019 Wildfire Outlook and Preparedness Briefing

Fire Management Officer Paul Summerfelt introduced Sergeant Coons with the Flagstaff Police Department, Todd Whitney with Coconino County, John Haro with APS, and Duane Tewa with the U.S. Forest Service. Mr. Summerfelt provided a PowerPoint presentation the covered the following:

WILDFIRE PREPAREDNESS BRIEFING
TOTAL ACRES BURNED
TOTAL ACRES BURNED 1990’S
TOTAL ACRES BURNED 2000’S
FIRE YEAR FACTORS
WET FALL AND WINTER
WHAT A DIFFERENCE A YEAR MAKES
NATIONAL SIGNIFICANT WILDLAND FIRE POTENTIAL OUTLOOK
OUR STATUS & READINESS POSTURE
2019 FOCUS AREAS
COLLABORATION & PARTNERSHIPS
GREATER FLAGSTAFF AREA FOREST TREATMENT MAP
WILDLAND FIRE OCCURRENCE
WILDLAND FIRE SIZE IN TREATED AND UNTREATED AREAS

Sergeant Coons continued the presentation.

LAW ENFORCEMENT FIRE PREVENTION PATROLS
PATROL EFFORTS

WOODS WATCH VOLUNTEERS

Vice Mayor Shimoni asked if there are any predictions on increases of people sleeping in woods over previous years. Sergeant Coons stated that the numbers have stayed relatively steady over the years.

Vice Mayor Shimoni asked about the education campaigns and the work with Flagstaff Shelter Services to assist in the efforts. Sergeant Coons stated that officers go out and personally educate individuals about their options other than camping; they sit down and talk with them and provide information about available services available along with information about Flagstaff Shelter Services and the Mission.

Mr. Whitney continued the presentation.

COCONINO COUNTY EMERGENCY MANAGEMENT
CITY/COUNTY EOC COORDINATION
WILDFIRE DEFENSE ORDINANCE

Mr. Haro continued the presentation.

FIRE MITIGATION 2019
FIRE MITIGATION DEVELOPMENT 2019

Mr. Tewa continued the presentation.

COCONINO NATIONAL FOREST FIRE AND AVIATION MANAGEMENT PROGRAM
CHIEF'S LETTER OF INTENT
WILDLAND FIRE DISPATCH
FIRE PREVENTION STRATEGIES
WILDFIRE DETECTION
ENGINES AND CREWS (USFS)
NATIONAL GROUND RESOURCES
NATIONAL AIR RESOURCES

Vice Mayor Shimoni asked if there is any signage at the trailheads with information about prevention and safety. Mr. Tewa stated that as conditions worsen they will be posting information about what people can and cannot do. Vice Mayor Shimoni offered that a video that shares information to the community would be a great way to get the message out.

Councilmember Whelan stated that Coconino County established a Flood Control District and earmarked certain areas and projects as priorities. She asked if there were any thoughts on the priorities. Mr. Whitney explained that it is a Flood Control District matter and that he does not have any information on the priorities. Mr. Tewa echoed that stating that he did not know what input the Forest Service may have provided to that regard. Mr. Summerfelt offered from a City perspective that there was no opportunity to provide input into the plan. The City concerns were presented to the Board and staff will continue to share those concerns at upcoming meetings. It is unknown why the priorities were set as they were.

Deputy City Manager Shane Dille stated that a letter was submitted to the County that specifically addressed the concerns about the process by which projects are evaluated and that a process has not been formalized or made transparent to the communities in Coconino County. The letter was signed by five of the six mayors in Coconino County.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jamie Whelan to continue the meeting in accordance with the City Council Rules of Procedure.

Vote: 7 - 0 - Unanimously

12. **Discussion:** Request to reengage the conversation about a Code of Ethics for Council.

Mayor Evans stated that she would like to invite Karen Englis to a future Work Session to have a conversation about what an ethics policy is and why it is important. The Council has this conversation before and the last two times the Council has chosen to not implement an ethics policy. Having an ethics policy would prove wise to us individually and collectively.

A majority of Council is supportive of bringing this discussion to a future meeting.

13. **Public Participation**

None

14. **Informational Items To/From Mayor, Council, and City Manager; future agenda item requests**

Councilmember Whelan requested that the Pride flag be flown on the temporary flag pole for the month of June in coordination with the Commission on Diversity Awareness proclamation.

Councilmember Odegaard requested an Executive Session for legal advice concerning the Coconino County Flood Control District.

Councilmember Odegaard stated that he is looking forward to the Business Listening Tour on Thursday. He thanked Councilmember Salas for attending the Boys and Girls Club ribbon cutting at the Dream Court. He thanked Councilmember McCarthy for attending a dinner concerning LAUNCH and Pre-K schooling with Paul Kulpinski and he thanked Councilmembers Salas and Whelan for attending Palette to Palate. Lastly, he stated that the Overland Expo is happening in May; it was a large event last year and caused some traffic issues on Highway 89. He encouraged additional outreach by the event organizers for better traffic coordination.

Councilmember Salas reported that she had the opportunity to tour the Palo Verde Power Plant with Vice Mayor Shimoni and Councilmember Aslan. She stated that it was a very informative and educational tour. She also reported that she and Vice Mayor Shimoni toured the FWPP helicopter operations; she offered that she is very proud that Flagstaff is leading the effort in flood control, forest restoration, and fire prevention. Lastly, she stated that she and Councilmember Aslan took an aerial tour organized by the Grand Canyon Trust to view the uranium mining sites. It is important to further advocate for the proper closure of the sites.

Mayor Evans reported that she and Councilmember Salas had an opportunity to tour the Streets Department and it was amazing to see that the City only has 33 people looking over 700 lane miles, over 3,000 streetlights, and over 2,000 street signs. Thank you to those who keep us mobile in Flagstaff.

Mayor Evans requested a F.A.I.R. item to look at addressing the issue of new developments coming into town that utilize the retail economic benefit for higher density but not providing the retail component. She would like to look at ways to regulate the use of that incentive so that if there is no retail component brought in within a certain time there are penalties of some sort.

15. Adjournment

The Flagstaff City Council Work Session of April 30, 2019, adjourned at 10:47 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY COUNCIL/GREATER FLAGSTAFF CHAMBER OF COMMERCE
JOINT WORK SESSION
MONDAY, MAY 6, 2019
COUNCIL CHAMBERS
211 WEST ASPEN AVENUE
4:00 P.M.

MINUTES

1. Call to Order

Mayor Evans called the Joint City/Greater Flagstaff Chamber of Commerce Work Session of May 6, 2019 to order at 4:00 p. m.

2. Pledge of Allegiance and Mission Statement

President and CEO of the Greater Flagstaff Chamber of Commerce Julie Pastrick led the Council and audience in the Pledge of Allegiance and Mayor Evans read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT: ABSENT:

MAYOR EVANS
VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

JULIE PASTRICK, CHAMBER PRESIDENT
BRENDA HAZLETT, CHAMBER CHAIR

Others present: City Manager Barbara Goodrich and Deputy City Attorney Kevin Fincel

4. Public Participation:

Public Participation enables the public to address the Council about on items that are not on the agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment on an item that is on the agenda is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public

Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak.

None.

5. Northern Arizona Military Affairs Council (NAMAC) Update

President Pastrick thanked the Council for the opportunity to meet with Council. She also thanked the Chamber's Chairman of the Board Brenda Hazlett for her attendance. President Pastrick gave a quick overview of the Northern Arizona Military Affairs Council and the reason for its creation. Councilmember Odegaard asked if the Naval Observatory is part of the partnership. President Pastrick stated that it is as well as the Flagstaff station.

6. Key issues facing the Flagstaff Business Community

President Pastrick led the discussion regarding the pathway to prosperity. She spoke about the business advocacy division and discussed the members of the division. President Pastrick stated that there is a lot of uncertainty in the business community about where the region will be in the next five years. Employers are greatly concerned about the high cost of housing in Flagstaff, and they are having a hard time with attraction and retention due to the cost of homeownership. She believes that private industry could be the solution to the housing crisis due to the demand in Flagstaff. She has heard that the cost and/or the length of time for development in Flagstaff is a drawback to private investors. The Chamber is a private sector link, and they know there are always barriers to development. President Pastrick referred to the cost of living analysis developed by the Chamber. It states that Flagstaff is 15.8% above the average cost of living. She also stated that the cost of living in Phoenix is 2.6% lower than the national average and the cost of living is 5.6% lower than the national average in Tucson. The indicators reviewed for the study were grocery, housing, utilities, transportation, healthcare, other goods and services. Flagstaff is 44.2% higher than the national average in cost of housing which is concerning because the housing supply is the greatest influencer of the economy. The Chamber asked the City to embrace growth and support existing businesses. President Pastrick stated that the Chamber wants to work with the City to improve the economic outlook of the region.

Business Attraction Manager for the City of Flagstaff Gail Jackson, spoke about the Business Attraction program. She stated that it is easier to retain businesses rather than attract them. This is done through partnerships with the Chamber, ECoNA, NACET, NAU, CCC, and others. The program has also looked at foreign direct investment and has traveled to Mexico to look at businesses that may like to move to Arizona, specifically Flagstaff, as well as promoting tourism. They have been working with Canada as well and have presented at tradeshows in key targeted sectors such as the Bioscience sector, AZ Tech Council, AZBio, and more for to attract specific businesses. They are working to attract shopping centers as well. Ms. Jackson spoke about the Flagstaff overview promotional piece and about meeting with local businesses to learn what they would like to see to stay in Flagstaff and grow. She also spoke about giving site visits to tour potential businesses around the area.

Vice Mayor Shimoni asked why Canada is purchasing land in the region. Ms. Jackson replied that there are over 100,000 Canadians in Arizona and that they like the Williams area, but she does not have a direct answer. He also asked what the reaction is of the businesses that tour Flagstaff. Ms. Jackson replied that it is dependent on the business, but that they generally love the outdoor opportunities and that they are excited about Flagstaff. He asked about the bigger struggles. Ms. Jackson replied that it is sometimes the process itself, like rezones that take some time.

Councilmember Odegaard stated that Council recently had a business listening tour with Uli at Eagle Rider and he asked if it was known how he found Flagstaff. Economic Development Director Heidi Hansen stated that there was a trade show conference with a speed dating element where they managed to create a way for the owners to come visit, and they never left Flagstaff.

Councilmember Whelan asked how the City can blend their resources with the Chamber. The group discussed holding meetings with the Chamber quarterly, inviting them to site visits, and providing the Chamber with a list of businesses that have come to Flagstaff.

Councilmember Salas asked how Flagstaff can create an economy that can benefit from the US/Mexico/Canada (Arizona Mexico Commission) agreement. Ms. Jackson stated that there is an opportunity for tourism from Mexico, although it is cheaper to do business in Mexico. Canada is a different story and a potential business met with her and Councilmember Whelan. It is less expensive to do business in Flagstaff rather than places like Vancouver and less restrictive.

Deputy City Manager Shane Dille added that the benefit that the North America Trade Agreement is that Flagstaff is a partner with the rest of Arizona and that if you look at the flow of goods over the border, that Arizona does not benefit as much as other states regarding that flow of goods. Working with the trade agreement is not looking at just tourism but also looking to bring business to Arizona. President Pastrick agreed with Mr. Dille and spoke about the flow of tourism between Arizona and Mexico. There is a 60th anniversary for the Arizona/Mexico Commission coming up in Tucson in July.

Mayor Evans stated that they learned about the Mesa Gateway Airport in regard to Mexico and that the manufactures in Flagstaff could benefit from it. It would be great to have them give a presentation to the manufactures in Flagstaff.

Councilmember Whelan stated that Canada seemed to not know the difference between northern and southern Arizona. She feels it is an important difference and that the attraction of northern Arizona is the environment. Mr. Dille replied that the focus of staff is Flagstaff First and that staff would like to bring businesses directly to Flagstaff. He added that it is important to bring businesses to Arizona in general as well. Ms. Hansen spoke about the Visit to Discover campaign. The cost of business is more expensive here, so the visitation to Flagstaff is integral to bring them to Flagstaff. Ms. Jackson added it is great to have a Flagstaff presence when they were in Montreal and that the snow and mountains resonated more with the attendees of the show.

Councilmember Whelan asked how to balance the costs of business attraction. She asked if the City is spending more to get people in Arizona than in Flagstaff. Mayor Evans added that this is a deeper discussion with Arizona Commerce Authority (ACA) and might warrant a joint statement or a meeting with ACA. Councilmember Whelan also asked about having a regional attraction plan. Ms. Hansen discussed the efforts on regional plans throughout the state.

Councilmember Odegaard commented that he and Councilmember Aslan met the Chief Information Officer for Choice Hotels, Todd Davis, at a recent NACET event. Mr. Davis stated that Flagstaff is ripe to be the Silicon Valley of Arizona and it is cheaper than California. He added that Mr. Davis would like to meet with Councilmember Odegaard to discuss partnerships to attract people from Silicon Valley to Flagstaff. Ms. Jackson added that staff has placed ads in Silicon Valley, attended trade shows, and they are reaching an influx of people from that area.

Business Retention and Expansion Manager John Saltonstall presented to the group on foreign agencies and attraction program.

Vice Mayor Shimoni wanted to know more about the grant to Praxis Plastics and how many grants are given out. Mr. Saltonstall stated that the pitch event was a pilot program and there was a total of $10,000 for the program with $2,000 going to marketing. There is a larger budget for the next year of $25,000.

Chair of the Business Advocacy Committee for the Greater Flagstaff Chamber of Commerce Steve Thompson addressed the Council. He was born and raised here in Flagstaff and is a practicing commercial real estate lawyer. He stated that the Chamber vets issues that affect businesses in the region. He stated that Flagstaff has a lot of attractive qualities, and that NAU is a major source of the attraction of Flagstaff. What the businesses see is that the City has roadblocks and dead-ends. He understands that there are policies and zoning in place, but that businesses must navigate an obstacle course.

Councilmember Whelan mentioned that the City Council's job is to be an arbitrator between conflicting sides. One hand protects the character of Flagstaff and the other reaches for goals such as more housing. She said that bringing specific items to Council that they can address is useful. She added that some people in the community resent large buildings and NAU, but there is no animosity between Council and NAU.

Councilmember Salas stated that primary goal of Council is to create policy and to budget. She asked Mr. Thompson to address housing and goals. Mr. Thompson stated that when there are re-zones and a developer does what they are supposed to do and spends hundreds of thousands of dollars and thousands of hours, the denial reverberates between the whole community. He stated that there must be student housing and that there are 23,000+ students. He also added that most businesses feel that traffic is a big issue and that he would encourage extra funds from sales taxes go towards streets for transportation. He added that sales tax pressures and impact fees are also a barrier and reverberates through the community and asked Council to continue to keep fees in the forefront of the mind.

Mark Tyler addressed the Council and guests on the challenges faced by the construction industry. Councilmember McCarthy stated that the City implemented concept zoning about four years ago. Mr. Tyler stated that he has worked with City before and after the change and he has not seen a plan go forward yet.

Mr. Tyler stated that he was involved in a project for 160 rooms in 2016 in Flagstaff and 154 rooms in Scottsdale. The fees in Flagstaff were almost twice as much than in Scottsdale.

Mayor Evans added that Council needs to take a look at impact fees. The larger developers are supportive of impact fees but the smaller builders stated that impact fees would kill their business.

Councilmember McCarthy added that the last Council decided that the City should break even on the fees and that it is a balance. He added that Council has a responsibility to the community to not subsidize new development.

Brian Landover from Findlay Auto Group spoke about the automotive business. He has been in Flagstaff for 19 months and he stated that he sees two trends: Flagstaff residents have a hard time buying new cars (based on financing and cost of living increases) and losing business to other communities outside of Flagstaff that have lower sales tax. 2,300 new vehicles were purchased by residents from outside of Flagstaff.

Mr. Landover stated that the sales tax increase is coming and when the tax differential is $800 to $900, it is a concern for the buyer. Councilmember Salas asked that a hypothetical use tax on every car purchased outside of Flagstaff would help the auto dealers. Mr. Landover stated that he feels that changing the sales tax on large purchases would help the dealerships.

Councilmember Whelan asked if maintenance service is the larger moneymaker for the dealerships. Mr. Landover replied that both new sales and service are important, but that the purchase is more impactful currently.

Mayor Evans stated that in 2008 during the economic downturn, Council put $100,000 in a fund for rebates on sales tax. She also mentioned that a number of Councilmembers met with Findlay to address this issue through economic vitality. She added that Economic Vitality staff are getting ready to launch a campaign on what sales tax buys for quality of life in Flagstaff. Ms. Hansen spoke about the initiative and its several prong approach.

Mayor Evans stated that the leakage of sales tax out of Flagstaff is about $280 million. Ms. Hansen added that the visitors have no problem paying extra and stated that the locals need to be engaged again in spending.

Mr. Landover stated that the people who do business in Flagstaff know that there is a benefit in doing business locally. He added that the debt-to-income ratio has caused many turn-downs and that locals want to keep business here but escalating costs make it difficult.

Councilmember Whelan spoke about the effects of minimum wage from a study in Forbes magazine shows that increases in minimum wage decreases the number of low-paying jobs and eliminates those jobs long-term.

Vice Mayor Shimoni spoke about creating a movement with regards to spending money locally. He stated that his bicycle shop started taking pictures of local buyers to place into his social media and that it enhanced the buying experience. He is concerned about the future of the workforce.

Councilmember McCarthy addressed debt-to-earnings ratio and that the best way to address that is to address the cost of housing.

Councilmember Aslan shared that his family is a Toyota family that they recently purchased a hybrid Toyota from a dealership outside Flagstaff because they were not able to purchase the vehicle in Flagstaff. It is a challenge for the dealerships and purchasers.

7. City of Flagstaff/Chamber of Commerce Joint Legislative Discussion

Postponed to the next meeting.

8. Informational Items To/From Chamber, Council and City Manager

Ms. Hazlett thanked the Council for the opportunity to meet.

Councilmember Whelan expressed her gratitude and added that she does not want future discussions to fall through the cracks.

Vice Mayor Shimoni expressed his gratitude and said that this was a great first conversation.

Councilmember Salas shared that she has been an active member of the Chamber for 13 years. She added that this was her first ever joint meeting of the City Council and the Greater

Flagstaff Chamber of Commerce and that she is looking forward to the next steps of policy analysis and recommendations. She also looks forward to the ratification of the Arizona/Mexico/Canada Agreement and the City's support of it.

Councilmember Odeggard thanked President Pastrick for being at the meeting. He spoke about housing costs and the effect on families. He is on the Board of Directors for The Pantry and said that the responses that he saw on the collection form talked about how about 50% of some families' income goes to housing. He also stated that he saw up to three generations of family members under one roof. Housing needs to be addressed and people should not be spending half of their income on housing.

Councilmember Aslan thanked the Chamber for their participation and stated that he was in listening mode to understand the issues. He stated that he also has large concerns about the future of Flagstaff if climate change is not addressed.

Councilmember McCarthy shared that the meeting was more productive than he anticipated. He thanked the Chamber for attending and received more insight than he expected. The City needs to figure out how more housing can be built. He shared that 25% of the houses owned in Flagstaff are not owned by people who live here and that it is a frustration for him.

City Manager Goodrich thanked the Chamber as well and added that this is truly how changes are made in the community

President Pastrick shared her gratitude and shared that business has to grow for Flagstaff to stay sustainable.

Mayor Evans stated that she was excited by the meeting. She feels that it is important to have stakeholders on the dais. She added her take-aways from the meeting and stated that this meeting was a great start and that there is a good partnership between the City and the Chamber. She also thanked City staff for answering questions.

9. Public Participation

None.

10. Adjournment

The Flagstaff City Council/Greater Flagstaff Chamber of Commerce Joint Work Session of May 6, 2019, adjourned at 6:38 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CITY COUNCIL REGULAR MEETING
TUESDAY, MAY 7, 2019
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
4:30 P.M. AND 6:00 P.M.

MINUTES

1. CALL TO ORDER

Mayor Evans called the meeting of the Flagstaff City Council held May 7, 2019, to order at 4:31 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT: ABSENT:

MAYOR EVANS
VICE MAYOR SHIMONI (arrived at 4:56 p.m.)
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN (arrived at 4:55 p.m.)

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

3. PLEDGE OF ALLEGIANCE AND MISSION STATEMENT

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

4. APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

A. **Consideration and Approval of Minutes**: City Council Combined Special Meeting/Work Session of June 26, 2018; Regular Meeting of August 21, 2018; Combined Special Meeting/Work Session of August 28, 2018; and Regular Meeting of September 4, 2018.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Charlie Odegaard to approve the minutes of the City Council Combined Special Meeting/Work Session of June 26, 2018; Regular Meeting of August 21, 2018; Combined Special Meeting/Work Session of August 28, 2018; and Regular Meeting of September 4, 2018.

Vote: 5 - 0 - Unanimously

5. PUBLIC PARTICIPATION

Public Participation enables the public to address the Council about an item that is not on the agenda. Comments relating to items that are on the agenda will be taken at the time that the item is discussed. If you wish to address the Council at tonight's meeting, please complete a comment card and submit it to the recording clerk as soon as possible. Your name will be called when it is your turn to speak. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Business Attraction Manager Gail Jackson addressed Council about activities associated Economic Development Week and encouraged participation.

6. PROCLAMATIONS AND RECOGNITIONS

A. **Proclamation:** Building Safety Month

The City Council came to the podium and Councilmember McCarthy read the Building Safety Month proclamation and presented it to Building Official Amy Palmer and her staff.

B. **Proclamation:** Economic Development Week

The City Council came to the podium and Councilmember Salas read the Economic Development Week proclamation and presented the proclamation to Lowell Observatory, Nackard Beverage Company, Odegaard Sewing, Flagstaff Athletic Club, Woodson Engineering, Quality Connections, and Tinderbox Kitchen.

C. **Proclamation:** Mental Health and Wellbeing Month

The City Council came to the podium and Councilmember Aslan read the Mental Health and Wellbeing Month proclamation and presented the proclamation to NACA, United Way, Guidance Center, NARHBA Institute, FUSD, Health Department, Flagstaff Police Department and Sherriff, along with other community volunteers.

7. LIQUOR LICENSE PUBLIC HEARINGS

A. **Consideration and Action on Liquor License Application:** Justin Evans, "Hops on Birch," 22 E. Birch Avenue, Series 07 (Beer and Wine Bar), Owner Transfer.

Mayor Evans opened the public hearing.

Police Sergeant Collin Seay briefly reviewed the application.

With no comments, Mayor Evans closed the Public Hearing.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Austin Aslan to forward the application to the State with a recommendation of approval.

Vote: 5 - 0 - Unanimously

8. ROUTINE ITEMS

A. **Consideration and Adoption of Ordinance No. 2019-06:** An ordinance of the Council of the City of Flagstaff, Coconino County, Arizona (1) providing for the sale and execution and delivery pursuant to a Series 2019 Utility System Revenue Trust Agreement of utility system revenue obligations, in one or more series evidencing proportionate interests of the owners thereof in installment payments of the purchase price to be paid by the City of Flagstaff, Arizona, pursuant to a Series 2019 Utility System Revenue Purchase Agreement to finance costs of certain improvements to the water and sewer utility system of the City; (2) authorizing the completion, execution and delivery with respect thereto of agreements necessary or appropriate as part of financing the costs of such improvements and paying related financing costs; (3) delegating to the Mayor, the City Manager, and the Management Services Director certain authority with respect to the purposes hereof; (4) authorizing the Management Services Director to expend all necessary funds therefor and (5) authorizing the Management Services Director or his designees to take all other actions necessary to the consummation of the transaction contemplated by this ordinance and establishing an effective date.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to read Ordinance No. 2019-06 by title only for the final time.

Vote: 5 - 0 - Unanimously

AN ORDINANCE OF THE COUNCIL OF THE CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA (1) PROVIDING FOR THE SALE AND EXECUTION AND DELIVERY PURSUANT TO A SERIES 2019 UTILITY SYSTEM REVENUE TRUST AGREEMENT OF UTILITY SYSTEM REVENUE OBLIGATIONS, IN ONE OR MORE SERIES EVIDENCING PROPORTIONATE INTERESTS OF THE OWNERS THEREOF IN INSTALLMENT PAYMENTS OF THE PURCHASE PRICE TO BE PAID BY THE CITY OF FLAGSTAFF, ARIZONA, PURSUANT TO A SERIES 2019 UTILITY SYSTEM REVENUE PURCHASE AGREEMENT TO FINANCE COSTS OF CERTAIN IMPROVEMENTS TO THE WATER AND SEWER UTILITY SYSTEM OF THE CITY; (2) AUTHORIZING THE COMPLETION, EXECUTION AND DELIVERY WITH RESPECT THERETO OF AGREEMENTS NECESSARY OR APPROPRIATE AS PART OF FINANCING THE COSTS OF SUCH IMPROVEMENTS AND PAYING RELATED FINANCING COSTS; (3) DELEGATING TO THE MAYOR, THE CITY MANAGER AND THE MANAGEMENT SERVICES DIRECTOR

CERTAIN AUTHORITY WITH RESPECT TO THE PURPOSES HEREOF; (4) AUTHORIZING THE MANAGEMENT SERVICES DIRECTOR TO EXPEND ALL NECESSARY FUNDS THEREFOR AND (5) AUTHORIZING THE MANAGEMENT SERVICE DIRECTOR OR HIS DESIGNEES TO TAKE ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTION CONTEMPLATED BY THIS ORDINANCE AND ESTABLISHING AN EFFECTIVE DATE.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to adopt Ordinance No. 2019-06.

Vote: 5 - 0 - Unanimously

B. **Consideration and Possible Adoption of Ordinance No. 2019-07:** An ordinance of the City Council of the City of Flagstaff, amending the McMillan Mesa Village Specific Plan development options for designated Development Area E1 for the purposes of developing a congregate care facility. **(McMillan Mesa Specific Plan Amendment requests for property located at 1831 N Jasper Drive)**

Moved by Councilmember Regina Salas, **seconded by** Councilmember Charlie Odegaard to read Ordinance No. 2019-07 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE MCMILLAN MESA VILLAGE SPECIFIC PLAN TO MODIFY DEVELOPMENT OPTIONS FOR DEVELOPMENT AREA E, PROVIDING FOR SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE.

Moved by Councilmember Regina Salas, **seconded by** Councilmember Charlie Odegaard to adopt Ordinance No. 2019-07.

Vote: 7 - 0 - Unanimously

C. **Public Hearing, Consideration and Possible Adoption of Ordinance No. 2019-09:** An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff Zoning Map to rezone approximately 3.34 acres of real property located at 1831 N Jasper Drive on parcel number 101-46-012A from Research and Development ("RD") to Community Commercial ("CC") for the purposes of developing a congregate care facility. **(Buron Inc. Zoning Map Amendment requests for property located at 1831 N Jasper Drive)**

Moved by Councilmember Regina Salas, **seconded by** Councilmember Charlie Odegaard to read Ordinance No. 2019-09 by title only for the final time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF ZONING MAP TO REZONE APPROXIMATELY 3.34 ACRES OF REAL PROPERTY LOCATED AT 1831 N JASPER DRIVE ON PARCEL NUMBER 101-46-012A FROM RESEARCH AND DEVELOPMENT ("RD") TO COMMUNITY COMMERCIAL ("CC"), WITH CONDITIONS; PROVIDING FOR SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE.

Moved by Councilmember Regina Salas, **seconded by** Councilmember Charlie Odegaard to adopt Ordinance No. 2019-09.

Vote: 7 - 0 - Unanimously

D. **Consideration and Approval of Engineering Professional Services Contract:** Coconino Estates Improvements Phase 1 Project.

Capital Improvements Project Manager Eli Reisner displayed a vicinity map of the project and provided a brief description.

Councilmember McCarthy asked if there will be project outreach to the affected community to which Mr. Reisner answered yes.

Councilmember Whelan asked about why there is a 10% contingency versus the 3% that is in the Procurement Manual. Management Services Director Rick Tadder stated that the procurement for this project happened before the changes had been made to the Manual and to change the contingency at this point would open up additional negotiations and slow down the project.

City Engineer Rick Barrett added that when the project gets to the construction contract there is not a contractor contingency because they were able to negotiate it to zero.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Charlie Odegaard to approve the Engineering Professional Services Contract to Peak Engineering, Inc. of Flagstaff, Arizona in an amount not to exceed $696,268.00, which includes a $48,577.00 Owner's Contingency (7.5% of the contract amount). The contract period is 925 calendar days and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

E. **Consideration and Approval of CMAR Design Phase Services Contract:** Coconino Estates Improvements Phase 1 Project

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to approve the Construction Manager At Risk (CMAR) Design Phase Services Contract to Eagle Mountain Construction, Inc. of Flagstaff, Arizona in an amount not to exceed $203,579.00, which includes an $18,507.00 Owner's Contingency (10% of the contract amount excluding the Owner's Contingency). The contract period is 470 calendar days and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

F. **Consideration and Approval of Contract:** Annual Street Maintenance and Overlay Program 2019

Streets Section Director Scott Overton provided a PowerPoint presentation that covered the following:

STREETS OVERLAY 2019 PROGRAM
PROGRAM OVERVIEW

Councilmember Whelan asked why the Construction Manager at Risk (CMAR) option was

selected for an overlay project. Mr. Overton explained that the project is currently in the middle of a three-year CMAR program, this is the third and final year on the current contract. It has been a good relationship with the vendor and staff is pleased with the outcome of their work. The CMAR process may change for future programs.

Councilmember McCarthy asked how long the overlays typically last. Public Works Senior Project Manager Adam Miele explained that the time depends on the classification of the road. The average for traditional overlays is four years and the City has been able to typically get a few more year due to the type of asphalt mix that is used; in general it is not unusual to get up to ten years.

Councilmember McCarthy asked if the material that is removed from the road in preparation for overlay is reused in any way. Mr. Miele stated that the material is used to build up shoulders, rebuilding of dirt roads, and other similar operations.

Councilmember Odegaard asked how roads are determined for chip seal or overlay. Mr. Miele stated that there is no set equation as to when chip seals and overlays occur because it is so dependent on how much the road is used as well as the freeze thaw cycles that Flagstaff experiences. There is a yearly evaluation and ranking of road conditions to determine the best method necessary.

Mr. Overton stated that they try to put off overlays as long as possible since they are able to get such good results from the chip seals. Since Proposition 406 passed they have completed 108 miles of overlay and 317 miles of chip seal. Moving forward they have programed dedicated maintenance money all the way through the end of the Proposition 406 term with the intent of catching up in the first five years and then preserve with proper maintenance from year six through twenty.

Vice Mayor Shimoni asked if there was anything that could be done to create more space for bicycles. Mr. Overton stated that they work with traffic engineering to partner on projects for a complete street rebuild which could include bike lane components.

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Regina Salas to approve the Street Maintenance Overlay Program 2019 and execute a Construction Manager at Risk (CMAR) Contract with C and E Paving & Grading, LLC for a Guaranteed Maximum Price (GMP) of $4,638,224.43 and authorize the City Manager to execute the necessary documents.

Vote: 7 - 0 - Unanimously

G. **Consideration and Approval of Preliminary Plat** Request by Capital Equity Investments, LLC, for Preliminary Plat approval for Flagstaff Lofts Condominiums, a condominium subdivision consisting of six (6) residential units and one (1) commercial unit, on a .37-acre site located at 602 W. Coconino Avenue in the HR, High Density Residential Zone.

Planning Development Manager Elaine Averitt provided a PowerPoint presentation that covered the following:

PRELIMINARY PLAT FOR FLAGSTAFF LOFTS CONDOMINIUMS
VICINITY MAP
BACKGROUND
SITE PLAN
SITE PHOTOS

DEVELOPMENT STANDARDS
PARKING
4-PLEX UNITS (PLAN VIEW)
DUPLEX UNITS
DUPLEX UNITS (ELEVATION)
WAREHOUSE/COMMERCIAL BUILDING “UNIT 7”
SYSTEMS ANALYSIS
REQUIRED FINDINGS
STAFF RECOMMENDATION

Councilmember Odegaard asked Ms. Averitt to explain why the five parking spaces to the east of the warehouse will be gravel and one concrete. Ms. Averitt explained that they are gravel currently but they are going to pave the five spaces and the ADA space on the south will be an impervious pavement.

Councilmember Whelan asked if there is any safety risk to accessible users on the impervious service. Ms. Averitt explained that it would be safe but would require maintenance. Councilmember Whelan stated that she would like to see them consider paving the ADA space. Community Development Director Dan Folke clarified that all the spaces are paved, the impervious surface just allows water to flow through.

Councilmember Whelan asked if the codes motivate people to use impervious surface. Ms. Averitt stated that in some projects there is motivation to try and avoid costly stormwater improvements.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to approve the preliminary plat.

Vote: 7 - 0 - Unanimously

RECESS

The 4:30 p.m. portion of the May 7, 2019, Regular Council Meeting recessed at 5:47 p.m.

6:00 P.M. MEETING

RECONVENE

Mayor Evans reconvened the Regular Meeting of May 7, 2019, at 6:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City’s attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

9. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT: ABSENT:

MAYOR EVANS
VICE MAYOR SHIMONI (arrived at 6:04 p.m.)
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

Others present: City Manager Barbara Goodrich; City Attorney Sterling Solomon.

10. PLEDGE OF ALLEGIANCE

The Council and audience recited the pledge of allegiance.

11. PUBLIC PARTICIPATION

Sustainability Volunteer and Event Coordinator Maggie Twomey addressed Council to announce the One Day in May Campaign that asks Flagstaff residents to pick up just one piece of litter each day in May.

Blake Dowden with Boy Scout Troop 7140 shared with Council that there was a group of Boy Scouts in the audience working on their Citizenship and Community badge.

12. CARRY OVER ITEMS FROM THE 4:30 P.M. AGENDA

None

13. REGULAR AGENDA

A. Consideration and Adoption of Ordinance No. 2019-10: An ordinance amending the Employee Handbook of regulations relating to General Definitions, Grievance Procedures, Employee Advisory Committee, Performance Evaluation System, Purchase Day Program, and Use of City Vehicles.

Human Resources Director Shannon Anderson stated that the amendments are updates the employee handbook regarding emergency service personnel, grievance procedures, the structure of the Employee Advisory Committee, and the reorganizations that have occurred recently. It will also add language about the online benefit system, clarification on benefit enrollment periods, and update the use of City vehicles section.

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Charlie Odegaard to reado Ordinance No. 2019-10 by title only for the first time.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, AMENDING THE FLAGSTAFF CITY CODE, CHAPTER 1-14, PERSONNEL SYSTEM, BY AMENDING THE EMPLOYEE HANDBOOK OF REGULATIONS RELATING TO GENERAL DEFINITIONS; GRIEVANCE PROCEDURE; EMPLOYEE ADVISORY COMMITTEE; PERFORMANCE EVALUATION SYSTEM; PURCHASE DAY PROGRAM; AND USE OF CITY VEHICLES PROVIDING FOR PENALTIES; REPEAL OF CONFLICTING ORDINANCES; SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE

B. **Consideration and Possible Adoption of Resolution No 2019-17:** A resolution authorizing the execution of an Amendment to the McMillan Mesa Village Development Agreement between MMV Devco, LLC, and the City of Flagstaff related to the development of the McMillan Mesa Village subdivision. ***(McMillan Mesa Village Amendment to Development Agreement)***

Current Planning Manager Tiffany Antol provided a PowerPoint presentation that covered the following:

MCMILLAN MESA VILLAGE DEVELOPMENT AGREEMENT AMENDMENT
BACKGROUND
WATER – ORIGINAL DA
WASTEWATER – ORIGINAL DA
WATER – PROPOSED AMENDMENT
WASTEWATER – PROPOSED AMENDMENT

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Charlie Odegaard to read Resolution No. 2019-17 by title only.

Vote: 7 - 0 - Unanimously

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA, AUTHORIZING THE EXECUTION OF THE FIRST AMENDMENT TO THE DEVELOPMENT AGREEMENT BETWEEN CAVAN OPPORTUNITY FUND, LLC AND THE CITY OF FLAGSTAFF RELATED TO THE DEVELOPMENT OF MCMILLAN MESA VILLAGE AND ESTABLISHING AN EFFECTIVE DATE

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to adopt Resolution No. 2019-17.

Vote: 7 - 0 - Unanimously

C. **City Council Site Plan Approval:** Staff is requesting City Council's approval of the three Interdepartmental Staff (IDS) approved Site Plan submittals for the Scattered Site Affordable Housing parcels, as required in the Purchase Agreement and as conditioned as part of the two Concept Zoning Map Amendments.

Planning Development Manager Alaxandra Pucciarelli provided a PowerPoint presentation that covered the following:

CITY COUNCIL SITE PLAN APPROVAL SCATTERED SITE AFFORDABLE HOUSING PROJECT
SITE PLAN APPROVAL

SITE 1: 1700 E SIXTH AVE VICINITY MAP
IDS APPROVED SITE PLAN
LANDSCAPE PLAN
BUILDING 1 ELEVATIONS
BUILDING 2 ELEVATIONS
BUILDING 3 ELEVATIONS
SITE 2: 3050 N WEST STREET
IDS APPROVED SITE PLAN
LANDSCAPE PLAN
BUILDING ELEVATIONS
SITE 3: 303 S LONE TREE RD
IDS APPROVED SITE PLAN
LANDSCAPE PLAN
BUILDING ELEVATIONS
COUNCIL OPTIONS

Councilmember Whelan asked about the color of the buildings. Richard Sciortino, Principal with Brinshore Development, stated that they are struggling with the color palate for the three buildings. They will do a mock up with a variety of schemes to make a decision.

Vice Mayor Shimoni noted that some areas of the project had open space, but did not see that consistently throughout the project. Mr. Sciortino explained that the area on West Street has open space and dog parks. It was difficult to fit the building in the area by the BMX park due to the floodways and with that park and the community garden so close by they felt there were ample open space amenities close by.

Mayor Evans asked about the commercial space and community use. Mr. Sciortino stated that they are not charging rent for that space and they are hoping to partner with multiple partners to bring in community benefits and use. It is about 3,000 sq.ft. Some of the area will be used for a leasing office and storage but the public use will be about 1,500 sq.ft.

Councilmember Odegaard thanked them for the great example of a public/private partnership.

Councilmember McCarthy thanked the developer for coming to Flagstaff and working with the community.

Councilmember Salas stated that the Council has renewed its commitment to increase the supply of affordable housing as one of their primary goals and this project is a step toward meeting that goal. She commended staff and the developer for working together and making the project happen.

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Charlie Odegaard to approve the three Site Plan submittals for 1700 East Sixth Avenue, 3050 North West Street, and 303 South Lone Tree Road.

Vote: 7 - 0 - Unanimously

A break was held from 6:43 p.m. through 6:50 p.m.

14. DISCUSSION ITEMS

A. Northern Arizona Intergovernmental Public Transportation Authority's (NAIPTA) Update On Its Downtown Connection Center Project (DCC)

NAIPTA CEO and General Manager Erika Mazza provided information about the work they have been doing to find a permanent home for the downtown transfer station. She introduced Kate Morley who provided a PowerPoint presentation that covered the following:

MOUNTAIN LINE DOWNTOWN CONNECTION CENTER (DCC)
OVERVIEW OF PRESENTATION
DCC HISTORY
DCC NEEDS
PROJECT DELIVERY
PROGRAMMING
ALTERNATIVE ANALYSIS
MAP OF PHOENIX PROPERTY
CONCEPT OF FEASIBILITY
DESIGN OPTIONS
SINGLE-USE TRANSIT FACILITY
TRANSIT FACILITY WITH RETAIL WRAP
TRANSIT FACILITY WITH OFFICE
NEXT STEPS
DISCUSSION

Councilmember McCarthy stated that it is a good site and it has a lot of potential for cooperation and partnership. He stated that having commercial space there is a good idea for revenue generation.

Mayor Evans stated that she is excited about the project and that it will be a great opportunity for Flagstaff. She encouraged looking at the bigger vision and take the opportunity to maximize the opportunity with partnerships and incorporating retail and office space. This could create a good synergy and hub for the downtown. She is interested in exploring a housing option as well.

Vice Mayor Shimoni asked about the plans for parking. Ms. Morley stated that it is a very preliminary concept design. They have talked about a goal of replacing parking one for one and they have considered the site with the possibility of a parking garage. There will be consideration about what might be able to be built over the top of Rio de Flag. Again, this is a concept and there is a lot of exploration that needs to be done before settling on a design.

Councilmember Salas expressed her excitement about seeing the project move forward and the potential to explore the project and integration with the Downtown Master Plan.

Councilmember McCarthy stated that the design should consider future expansion as needs increase over time.

Councilmember Whelan expressed excitement about the project. She requested that the people who are using the current building be notified as soon as possible so they can find alternative places to meet.

Councilmember Odegaard thanked NAIPTA for their presentation and encouraged them to be visionary with the project. There are a lot of partnership opportunities and he is excited about the possibilities that can open up.

Councilmember Aslan stated that he likes the idea of maximizing the space with a housing component. This is a great example of infill and sustainable economic development principles.

There was Council majority to continue with the site analysis.

B. **Discussion/Direction:** Current Issues Before Arizona Legislature and Federal Issues.

Assistant to the City Manager Cliff Bryson provided a brief recap of the Wayfair bill. There is flexibility for cities and towns in deciding what operations they want to tax. There are 37 states that have implemented similar measures.

Mr. Bryson reported that there were a number of affordable housing and Low Income Housing Tax Credit bills that were introduced but unfortunately did not advance through the process.

Mr. Bryson discussed SB1225 which includes an offset for locations that have a higher minimum wage than the state. The intent of the bill is for there to be a two to one match by the state for service provider funding.

Councilmember Whelan asked how Flagstaff can be singled out specifically for the offset. The City's state lobbyist Todd Madeksza explained that the rationale is that in certain geographic areas the state has to pay providers a higher rate than in other areas. He stated that he is pushing for there to be specific information about where the funding provided by Flagstaff would be allocated. The commitment from the state is that they want to keep service providers operational and there is a significant desire to see the City contribute money to that effort. He stated that that this is a message to other municipalities not to raise their minimum wage above the state minimum wage because it affects the most vulnerable members of the community.

Mayor Evans pointed out that there are two issues at play. The first is the base rate for services that the state has not historically paid in full. The second is that in Flagstaff there is an issue of the cost of living which requires a higher cost to the state to fund those services. Ultimately, the state needs to pay for the services they are getting and then in other areas with higher costs of living there needs to be additional allocation.

Ms. Goodrich stated that the funding the City will be providing, should the bill pass, should be sent to the Department of Health for them to put into the AHCCCS coffer for service to Flagstaff agencies specifically.

Councilmember Whelan asked how it is guaranteed that the funding comes back to Flagstaff. Mr. Madeksza stated that Senator Allen has made assurances that the money provided by Flagstaff will come back to Flagstaff but there is a level of trust that has to be given to the state.

Councilmember Odegaard stated that if the intent is to maximize the dollars provided by the City to help individuals stay in the community than he is supportive.

Councilmember McCarthy asked about the bill aimed at changing the smoking age to 21. He stated that while it raises the age it undoes many of the protections related to where people can or cannot smoke.

Mr. Madeksza stated that it is a bill that is being supported by big tobacco and many of his clients have chosen not to support the bill. There is a provision in the bill that would preempt any local movement related to tobacco. He stated that there is support for the bill if the pre-emption is removed.

Mayor Evans stated that she would like to see the City take a hard stance against this bill because of its effect on local control. There is a group of students in Flagstaff that worked very hard to implement changes locally regarding smoking and vaping.

A majority of Council supported opposing the bill.

Vice Mayor Shimoni reported that HB2266 regarding electric bikes has been forwarded to the Governor but has not been signed yet. Mr. Bryson stated that he will keep the Council updated on its status.

15. COUNCIL LIAISON REPORTS

None.

16. FUTURE AGENDA ITEM REQUESTS

After discussion and upon agreement by three members of the Council, an item will be moved to a regularly-scheduled Council meeting.

A. **Future Agenda Item Request (F.A.I.R.):** A request by Mayor Evans to place on a future agenda a discussion about the correlation between sales tax dollars on a non-local purchase in Flagstaff and quantifying what those dollars specifically could fund.

Mayor Evans stated that she believes that the Economic Vitality Division is working on a project that is very similar to this. Economic Vitality Director Heidi Hansen stated that her staff is working on an outreach campaign that shows how local tax dollars are used in the city and why it is important to shop local. They are working with a lot of community partners to make sure that the program is marketed appropriately with the right information.

Mayor Evans stated that she would like to withdraw the F.A.I.R. item understanding that there are similar efforts currently underway.

B. **Future Agenda Item Request (F.A.I.R.):** A request by Councilmember Whelan to place on a future agenda a discussion about a plastic sled ordinance to stop the sale of plastic sleds or to attach a tariff to the sale of plastic sleds to pay for cleanup

Councilmember Whelan stated that when she brought the request forward Praxis Plastics was not up and running and her idea was to find out what could be done to address the broken sled problem. She will be meeting with Praxis Plastics to better understand their operations and how much plastic they need.

Mayor Evans stated that legal will need to weigh in on the legalities of a potential tariff on the sale of sleds.

Three members of Council were supportive of moving the item to a future agenda for discussion.

At this time, the Mayor called for Public Participation on items not on the agenda.

Chris Verrill, Director of Theatrikos, addressed Council thanking them for their assistance in the remediation efforts associated with a recent sewage backup at the theatre. He shared his efforts to create a show that caters to tourists that would encourage them to extend their stay in Flagstaff.

17. INFORMATIONAL ITEMS AND REPORTS FROM COUNCIL AND STAFF, FUTURE AGENDA ITEM REQUESTS

Vice Mayor Shimoni reported that he attended the Coconino County budget meeting and expressed displeasure at the lack of opportunity for public participation. There was no discussion about the Flood Control District's selection of projects for funding.

Councilmember Whelan added that every board member agreed to raise the flood control tax rate from .18 to .228 for year two.

Councilmember McCarthy expressed frustration that there has been no systematic way for the District to set priorities and them not accepting any public input.

Councilmember Aslan reported that he was able to attend the business listening tour and it was interesting to see the exciting things that Lowell Observatory has planned to attract more tourism. He also reported that he attended an event at NACET for the Space Shark competition; it was a great opportunity to meet with some of Flagstaff's exciting entrepreneurs.

Councilmember Odegaard requested that PowerPoint presentations be included with the agenda packet that goes out each week. This is helpful in preparing for the meeting. He stated that Bike to Work Week starts next week, and it is always a fun event.

Councilmember Odegaard requested an Executive Session for legal advice concerning the Coconino County Flood Control District. Mr. Solomon stated that staff will get the updated information and get something scheduled.

Lastly, Councilmember Odegaard thanked his wife Glenda for her continued support of his endeavors.

Councilmember McCarthy reported that he also attended the business tour and thanked Ms. Hansen and her staff for putting it together. Councilmember Salas also thanked Economic Vitality for organizing and guiding Council on the tour.

Mayor Evans reported that Councilmember Odegaard will be recognized by the Boy Scouts for all of his work and support for the organization at an upcoming Boy Scout event.

Mayor Evans also voiced her support for an Executive Session on the Flood Control District and also suggested a formal resolution expressing the Council’s position on the

issue. She reported that staff is working on setting up meetings for her to meet with other Mayors in Coconino County to join efforts on a possible letter or resolution.

18. ADJOURNMENT

The Regular Meeting of the Flagstaff City Council held May 7, 2019, adjourned at 8:30 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on May 7, 2019. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 20th day of October, 2020.

_____
CITY CLERK

CITY COUNCIL WORK SESSION
TUESDAY, OCTOBER 8, 2019
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
6:00 P.M.

MINUTES

1. Call to Order

Mayor Evans called the Work Session of the Flagstaff City Council held October 8, 2019, to order at 6:00 p.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. Pledge of Allegiance and Mission Statement

The Council and audience recited the Pledge of Allegiance and Vice Mayor Shimoni read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton; City Attorney Sterling Solomon.

4. Public Participation

Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

Paul Beier representing Friends of the Rio de Flag presented to the Council regarding the Go It Alone engineering study. He stated that choices the study will present are not just an engineering decision. He asked Council to consider creating a Citizens and City Staff Work Group. He suggested how the work group should be comprised.

Deborah Harris, President of the Southside Community Association, addressed Council about the Rio de Flag. She opposes any stoppage of the flooding plan. She stated that the neighbors in the Southside are tired of the City not looking out for their interests. They want the 100-year flood project done.

5. Review of Draft Agenda for the October 15, 2019 City Council Meeting

Citizens wishing to speak on agenda items not specifically called out by the City Council may submit a speaker card for their items of interest to the recording clerk.

Councilmember Whelan where the funding for items 9A and 10C come from. Fire Chief Mark Galliard answered that the finances are from the Forest Service's year-end funds that need to be encumbered before the end of the year.

Councilmember Whelan asked about item 8A and if the owners had finished their liquor license training. She also stated she would like to see the language of the proposition for item 10B and asked what the Water Infrastructure Authority is. Mr. Solomon stated that it is the State Finance Water Licensing Agency.

Councilmember Whelan requested that financial contributions are clearly stated on the staff summary. She would like to see a statement on where the financials are budgeted or where the funding is coming from. Mr. Clifton stated that staff will add the funding source to staff summaries.

Vice Mayor Shimoni asked about the Rio de Flag Flood Control Update and what the plan is to get the community informed. Mr. Clifton stated that there are additional measures regarding this item and City Engineer Rick Barrett stated that they have reached out to various groups, such as Friends of Rio de Flag and the Southside Community Association. Mayor Evans added that there was a meeting with the Greater Flagstaff Chamber of Commerce and that there is a listserv regarding the matter. Mayor Evans stated that Vice Mayor Shimoni may be looking for a social media push and that the Police Department has a variable message board that may be utilized. She added that the meeting will be long and wants the public to know that. Council will discuss the issue after public comment. Mayor Evans asked for Council to send any questions they may have to the City Manager now so that staff can incorporate it into the presentation.

6. Flagstaff Local - My Actions Matter Campaign

Economic Vitality Director Heidi Hansen acknowledged the staff from the Economic Vitality Division and the members of the local business community and partners who attended the meeting. She stated that the project started with a request from the previous City Manager, Barbara Goodrich, and the City worked with various partners where they received input and shared the concept of the movement. Ms. Hansen presented a PowerPoint presentation on the program and shared a video for the campaign.

Creative Services Manager Ralph Schmidt spoke to Council about how the program works and presented a video on the process.

Business Retention & Expansion Manager John Saltonstall presented on who is eligible to participate in the program and how to create the boundaries. He asked Council for suggestions on which boundary to use.

Vice Mayor Shimoni asked if people who live outside city limits can make purchases outside city limits and have their purchases qualify. Mr. Saltonstall stated that they anticipated that the qualifying purchases will only be those in city limits. Mayor Evans stated that the city limits boundaries seems easiest.

Councilmember Whelan added that she would like to see the sovereign nations involved, and she was thinking that using Flagstaff zip codes would be best, but it does not take the sovereign nations into account. She would like to see county limits used.

Councilmember Aslan stated that he would like to push back and not lose the heart of the movement. He does not want to see it diluted and is very impressed with the marketing campaign. He stated that he is concerned about the interface being clunky. He thinks that County involvement muddies the impact.

Councilmember Salas shared that she is impressed by the campaign. She asked about using the FUSD boundary for the program. Ms. Hansen stated that staff did not want to decide the boundary for Council. They want to kick the campaign off mid-November and offered Council some time to think about the campaign.

Ms. Hansen resumed the presentation. She shared that all prizes will be donated and she thanked those involved in the campaign and those who were in attendance at the meeting.

Councilmember Odegaard thanked former City Manager Barbara Goodrich for starting the program and thanked Mayor Evans as well. He stated that he likes the local dollars theme. He stated that he favors the zip code boundary.

Councilmember Aslan stated that he has an issue with providing rewards from Chick-fil-A since it they are not a local business. Ms. Hansen stated that the City of Flagstaff is for all businesses, not just the local businesses. The program is designed to support all businesses in Flagstaff.

Councilmember Whelan agreed with Councilmember Aslan about choosing businesses that reflect Flagstaff and stated that Chick-fil-A does not support all people. She stated that she appreciates them being a part of the City, but there is a moral and ethical position to consider.

Mayor Evans stated that she understands that nationally there are individuals that do not support Chick-fil-A and other businesses who have taken stances on certain subjects, but that there are people in Flagstaff who do support them. They may be a national organization, but

they employ local people.

Ms. Hansen stated that they do not have to give prizes that involve Chick-fil-A, but asked if Council would be alright with people uploading Chick-fil-A receipts. Business Attraction Manager Gail Jackson pointed out that there are many franchises in Flagstaff and that they give back to the community and are a part of it. Some of the local people who live here are business owners who have a national name attached to it.

Councilmember Whelan added that she is not opposed to Chick-fil-A because of the national affiliation, but because the company's stance on LGBT rights. Ms. Hansen stated they can remove the prize but asked if the receipts would still apply. Councilmember Whelan stated she would be alright with that.

Vice Mayor Shimoni stated that the effort is amazing. He stated that he would like to see more infographics regarding dollars spent and what they mean to the City. Ms. Hansen stated there are many more infographics that encompass that. Vice Mayor Shimoni added that he would like to see the value added of shopping at a local owner and the education surrounding that.

Terry Madeska, the Director of the Flagstaff Downtown Business Alliance, addressed Council stating that she supports the comments on the need to direct people to local businesses. She stated that the City needs to support all businesses, and that in order to get the impact onto the local business there is more to the campaign that talks about the impact of supporting local businesses.

Vice Mayor Shimoni asked if there would be a way for people to track their points online. Ms. Hansen stated that staff will look into that possibility.

Councilmember Aslan stated that the broader overview should promote local businesses versus chains. He is curious about how data is being used and tracked in the campaign. He asked what the City is doing with the data points and inquired if the data should be looked at. He stated that he wants to ensure that the data is decoupled from the user. Senior Assistant City Attorney Anja Wendel stated that they have looked at the privacy issues and that the collected data would be separated from the personal data. The receipt data will not be used for anything other than points.

Councilmember Salas asked when the go live for the program is scheduled. Ms. Hansen stated that it will go live before the end of November with two weeks of advertising in advance. Councilmember Salas suggested rolling the campaign into Small Business Saturday and work with local businesses that have big screens.

Mayor Evans stated that the campaign is a local campaign that encourages people to shop local which includes the mom and pop shops as well as all other businesses city limits. She added she would like to see local be a broader concept. She added that the primary purpose of this program is to stop sales tax leakage. She stated that she is supportive of using the Flagstaff zip codes for the program boundary.

Councilmember McCarthy stated that he supports using the Flagstaff zip code boundary.

A majority of Council provided direction to use the Flagstaff zip code boundary for the program.

A break was held from 7:31 p.m. through 7:41 p.m.

7. Case No. PZ-19-00123 Updates to Zoning Code 2019 - Community Commercial (CC) Zone Building Height

Zoning Code Manager Dan Symer introduced Comprehensive Planning Manager Sara Dechter who presented on the history of the High Occupancy Housing (HOH) Plan. She spoke about why the City adopted the HOH plan, what happened leading up to the HOH plan, and the proposed Zoning Code concepts from the HOH plan. Mr. Symer resumed the presentation to discuss the proposed Zoning Code amendments.

Councilmember McCarthy asked how many stories a 45' building would be. Mr. Symer stated that it mostly translates to three stories, but it could be four. He also asked if a parcel is changed from Community Commercial to Highway Commercial if it would allow for a 60' building and if are there any other things allowed in Community Commercial that are not allowed under Highway Commercial. Mr. Symer stated that there are some implications but that they are fairly comparable.

Councilmember Odegaard asked if there was an example of someone with Highway Commercial zoning who built a 65' building. Mr. Symer stated that there are some applications that are being considered and under review right now, but there are none in plans review right now.

Councilmember Whelan asked Mr. Symer to explain the community comments and where the community meetings were held. Mr. Symer stated that the first community meeting was held August 19, 2019 at the Murdoch Center and the second was at the Fourth Street Library, which was more highly attended. The meetings were advertised to all property owners who are in Community Commercial via postcard. 500 postcards were sent, and 30 postcards came back. The Southside was generally in support of lowering the zoning height restriction to 45', but there were property owners who were not in favor. The property owners who were not in favor wanted to keep the height of 60', but the majority was in support of lowering to 45'.

Steve Finch with the Flagstaff Lodging and Restaurant Association addressed Council and stated that they are against lowering the height restrictions because it lowers the land value and reduces profit which cuts the ability for property owners to earn money. It also devalues the property since the property value is based off of its ability to earn revenue and affects the future potential of the land. Changing the height restriction also takes away a right the property owners had when they bought the land.

Councilmember Whelan asked Mr. Finch if he is against adding Highway Commercial. He stated that as long as the 60' restriction is kept, he is alright with that. Councilmember Whelan stated that Council wants to protect what the community wants protected.

Anthony Garcia addrfessed Council in support of lowering the building height in the Community Commercial areas to preserve the view shed for Flagstaff's character. He stated that he also believes that it will discourage student housing developments. He stated that he is concerned on how this will encroach on open space.

Joe Galli, representing the Greater Flagstaff Chamber of Commerce, addressed Council stating that there were a few remarks in the packet from the Economic Collaborative of Northern Arizona meeting. They included the need for a cost analysis, acknowledgment of the need of workforce housing, and stated that higher densities are required to increase rental market. The Chamber is very concerned about changing the height restrictions and are concerned about Prop 207 challenges. He added that the change would hurt the "little guy" and that small parcels then cannot build on their properties. He also mentioned the eduction of walkability and infill with the change of the height restriction.

Deborah Harris addressed Council and stated that there are mixed emotions on the height changes in the Southside neighborhood. The neighborhood feels that they are not being heard and that they do not have power. The people who want the height restriction changed to 60' probably do not live there. She asked Council to think very carefully about the issue.

Vice Mayor Shimoni asked Ms. Harris about who wants the 60' height restriction versus those who do not. Ms. Harris stated that there are those who want to sell their property to developers and make a lot of money, there are some people who feel that they will not be heard, and there are others who want to stay and pass their homes on to their families.

Councilmember McCarthy observed that there is no consensus in the area. Ms. Harris stated that Councilmember McCarthy is right. She stated that some people may have given up. Councilmember McCarthy stated that he wants to hear what the people want. Ms. Harris stated that historically the neighborhood was not listened to and that influences today's issue. Councilmember McCarthy stated that his frustrations are dealing with decisions that were made in 1972 that are very difficult to change.

Mayor Evans stated that she thinks decisions are cumulative as well and that leads to apathy and people giving up. She said that parking issues are still a problem in the area and residential parking permits for the neighborhood could have helped. She added that fraternity houses are now in the neighborhood and apartment complexes that receive Conditional Use Permits are also in the neighborhood. She said that the people in the neighborhood feel like they are not being listened to.

Councilmember Whelan stated that she agrees with Mayor Evans and Ms. Harris. She stated that there are inequities and because of decisions in the past, the residents are burnt out. She stated that whatever is done must get done with the residents' voices, and she is committed to doing this as long as she is on Council and will try to make up for the wrongs that have happened.

Councilmember McCarthy stated that the biggest issue is the "mega-buildings." He stated that he wants to move forward with this issue and is open-minded about making some places Highway Commercial. He also stated that the people who live in Sunnyside might have a much different view than the people who live in the Southside.

Vice Mayor Shimoni asked that view shed be considered in the potential rezoning along the major avenues. He would like to see this move forward.

Councilmember Odegaard asked what the difference is between Highway Commercial and Community Commercial. Mr. Symer stated that Community Commercial allows single family residential and Highway Commercial does not. Councilmember Odegaard stated that he attended the Sunnyside community meeting. He stated that he does not feel there was enough community discussion regarding this topic. He believes that the community would be better served by a door-to-door campaign.

Mayor Evans asked who the stakeholders were at the Sunnyside meeting. Councilmember Odegaard stated there were a lot of business owners. Mr. Symer added that there were business owners, property owners, and residents. Mayor Evans stated that there are multiple types of residents. Councilmember Odegaard clarified that the business owners seemed to be typically property owners. Mayor Evans stated that she feels that there should have been three separate meetings: one for business corridor, one for north Sunnyside, and one for south Sunnyside.

Councilmember Salas agreed with Councilmember Odegaard. She stated that she feels that the communities affected by the Zoning Code amendment have not been heard. She stated that she is concerned that there are residents who feel disfranchised. She stated that she believes that the public needs to be engaged and that a door-to-door campaign may be necessary.

Councilmember Aslan stated that he would like to see the community grow without sprawl. Councilmember Whelan agreed and stated that she believes that in the future there will be more mixed-used with families living with students. She agreed with the need for community participation. She also believes that it needs to be done in a timely manner and there needs to be action.

Vice Mayor Shimoni asked if the City has a text group program. Ms. Dechter responded that the City does not have a program. She offered that postcards and the Flagstaff Community Forum were very productive and successful in the campaign. She stated that the community forum goes out to 2,800 people and that the discussion was very robust. She added that the in-person meetings are also very important. She said that staff went door-to-door in the Southside interviewing residents and about 50% of businesses. Vice Mayor Shimoni stated that he believes that it would be smart of the City to use a text-based outreach. His direction is to move forward.

Mayor Evans asked Council to think about the issue. She asked for everyone to think about what percentage of the population will be affected and that Council is trying to address mega-tall buildings that house students. She added that these changes may affect people who are not a part of the original conversation. The Sunnyside neighborhood does not have a neighborhood plan and this would create a drastic plan that will affect a neighborhood without a plan to prevent mega-tall student housing. She added that the individuals who are attending the community meetings have a financial stake and wondered what percentage of people may ask for a waiver. She added that there are different levels of education regarding this change and that the developer will have a much different understanding than the homeowner or someone who inherits property in the area. Council needs to go back to the community and focus on student housing directly and talk to the community.

Mayor Evans stated that she is fine with moving forward but that she has concerns about Sunnyside being a part of the conversation.

Councilmember McCarthy stated that the original problem is high occupancy student housing in the Southside neighborhood, but that the people in Sunnyside would probably not be happy to have 60’ buildings in their backyard. He stated that he feels that moving forward means that there needs to be more conversations. He also stated that the lesson learned from the 1970s is to move slowly and thoroughly to ensure that the future implications are clear. He stated that he is willing to move forward but there needs to be a more thorough conversation.

8. Case No. PZ-19-00124 Updates to Zoning Code 2019 - High Occupancy Housing Land Use

Zoning Code Manager Dan Symer and Comprehensive Planning Manager Sara Dechter gave a presentation to Council. Ms. Dechter provided background on the High Occupancy Plan and the challenges of the past zoning requirements. Mr. Symer presented the proposed updates. The slides in the presentation included:

- Why did the City adopt the HOH Plan?
- What happened leading up to the HOH Plan
- Proposed Zoning Code Concepts from the HOH Plan

- Proposed Zoning Code Concepts
- Why replace the rooming and boarding provisions?
- Proposed Zoning Code Concepts, Definitions
- Map of activity centers
- Proposed Zoning Code Concepts, Definitions
- Resource Protection Overlay Map
- Conditional Use Permit Criteria
- Conditional Use Permit HOH Specific Criteria Considerations
- Proposed Zoning Code Specific to Use Requirements for any HOHD
- Parking – What is the right balance?
- Proposed Vehicle Parking Requirement Considerations
- Proposed Vehicle Parking Reduction Considerations
- Proposed Replacement of the Rooming and Boarding Land Use

Councilmember Whelan asked if the need for long-term parking for students addressed in this plan. She stated that the parking plan works well for transit in town but does not offer the option of long-term parking for residents. She stated that she hoped that NAU would help with the long-term parking issue. Ms. Dechter stated that NAU has provided some of that parking at some of their further away parking lots, but they have not been utilized.

Vice Mayor Shimoni asked if the Hub was at 0.3 ratio and if it takes in account street parking. Mr. Symer stated that it does not and added that the Standard's ratio is at 0.65. The Hub is half as high as the Standard. Ms. Dechter stated that there is very little Hub parking on the street due to Park Flag and that the developer has offered to house cars on the NAU campus for those who did not get parking in the on-site garage and last year there were about 50 spots available for parking.

Vice Mayor Shimoni asked about negotiations regarding incentives in parking. Mr. Symer spoke about the various incentives. The first option is one-to-one parking with incentives to bring the number of parking spots down. The concept is being explored in perpetuity and has a maximum incentive of a 20% reduction in spots for bus passes and 10% reduction for bike racks. He also stated that the code is in support of development of four, five, or six bedrooms and that the City could better incentivize smaller developments with less bedrooms. Vice Mayor Shimoni asked staff to address that in the future and stated he is in support of moving forward.

Deborah Harris addressed Council stating that the greatest concern in the Southside is parking and that parking enforcement is a large issue.

Councilmember Odegaard stated that he is in favor of moving the discussion forward. He asked if there is anything staff needs clarity on. Mr. Symer stated that he only needed clarity on the parking.

Councilmember Aslan stated that he is supportive of Option 3.

Mayor Evans asked when parking behavior will change because the reality now is that people bring cars to their residences. She is not for any parking reduction incentives. She stated that tandem parking does not work at all for apartments and she stated that smaller projects should not get parking reductions. She said that she believes that there should be a residential parking permit for smaller, tighter neighborhoods.

Councilmember McCarthy stated that he is curious about the number of parking spaces versus the number of bedrooms and he would like to see staff look into that. He suggested having

only permit parking on the streets in the HOH areas and in areas like the Southside. He stated he is open-minded about parking reduction incentives, especially if there is transit available and the developer is wiling to purchase transit passes for residents.

Community Development Director Dan Folke asked if this issue should be addressed with the Zoning code, with ParkFlag, or should an ordinance be created. Councilmember McCarthy asked if this issue should be added as an expedited F.A.I.R. item.

Councilmember Whelan stated that she would like to see parking permits for the streets and the high-density housing units should be at a lower ratio with smaller units having an increase in the ratio. She would like to see developers push transit and added that multi-modal transit is an important piece as well as parking enforcement.

Councilmember Odegaard stated that he is not supportive tandem parking and that should be changed.

Councilmember Aslan addressed the timeframe about parking culture. He stated that he believes that if you take parking away, people will leave cars at home. He stated that he is in favor of making car use less necessary. Mayor Evans stated that she does think that is the case and that increasing transit, sidewalks, grocery stores, bicycle safe lanes, etc. would decrease the dependence on cars.

Councilmember McCarthy asked if the parking spaces that the Hub residents rent are counted and what the utilized ratio is. Mr. Symer stated that it is about 0.4 and that the residents can park overnight in the area. However, he added, there potentially was some Plaza de Vieja parking overflow. Ms. Dechter added that there is no way to enforce the use of spaces when there is free public parking and that staff recommends Option 3. She added that some of the smaller complexes use parking areas as social spaces.

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jamie Whelan to continue the meeting in accordance with the Council Rules of Procedure.

Vote: 6 - 1

NAY: Councilmember Austin Aslan

9. **Discussion:** Possible regulations on new developments coming into town with a retail component for the benefit of higher density and not providing the retail.

A majority of Council stated that they are interested in moving forward with further discussion.

10. **Discussion:** A text amendment to city code allowing council salaries to be considered by Council earlier than what is currently stated.

A majority of Council stated that they are interested in moving this disucssion forward.

11. **Discussion and Direction:** December lobbying trip to Washington D.C. and practice for determining Council attendees for future lobbying trips.

Mr. Clifton gave a quick summary of the memo in the Council packet. The primary purpose of the trip is to discuss the Rio de Flag project and will be held with the City's lobbyist. Mr. Clifton explained that the memo suggested that the Mayor should attend this trip and that a quorum

should be avoided. It also stated that a large group is not practical for these kinds of trips. He suggested keeping the elected officials down to three or less for these trips. He said that the first step is to affirm the upcoming members of Council who will travel, and the second step is to identify how Council will figure out who will go in the future and perhaps document it in the Council Rules of Procedure.

Councilmember Whelan stated that she brought this up because she felt that it is a Council decision to decide who goes. She added that Councilmember Odegaard has been in the forefront of the Rio de Flag project, and he should be going. She stated that she supports one member from the old Council, the Mayor, and one member from the new Council travel to the meetings. She suggested that the choice can always be changed if someone thinks they are better to go, and that Council needs to have the discussions on attendance in public.

Councilmember McCarthy stated that he agreed with Councilmember Whelan.

Mayor Evans stated that there is an informal rotation for the lobbying trip, and she would like to see a formal rotation established similar to that of the rotation for commission appointments. Councilmember Whelan stated that a rotation is a possibility but that it should ultimately be a decision of Council before each trip as to who goes.

Councilmember Salas stated that it is important for Councilmembers to review materials and be well versed in all the issues. Her direction is to create a rotation and use a strategic choice if it is determined that a change is needed.

Vice Mayor Shimoni stated that he would like to have the travel decisions transparent and adjusted at a meeting in advance if necessary. It is smart to have flexibility and that he would like to see the travel schedule posted ahead of time. He also said that he would like for the schedule to come before Council to affirm who will be traveling.

Councilmember Aslan stated he thought that there was rotation and a schedule and that the travel was one of the duties of a Councilmember. He asked that there be a right of first refusal if a Councilmember is unable to travel during their scheduled time.

Councilmember McCarthy stated that he thinks the travel needs to be decided with a flexible rotation and that it makes sense to have discussions on who travels. He feels that the discussion should be had at a Council meeting and that there should be a rotation but that it should not be rigid. If there is reason to change, then it can be changed by unanimous decision.

Mayor Evans stated that she wants something in place that future Councils can use as a guideline.

A majority of Council supported having a rotation of members be presented to the dais to confirm the travel with a unanimous vote to change the rotation.

12. Public Participation

None.

13. Informational Items To/From Mayor, Council, and City Manager; future agenda item requests

None.

14. Adjournment

The Flagstaff City Council Work Session of October 8, 2019, adjourned at 10:48 p.m.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, OCTOBER 15, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:00 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 3:01 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Austin Aslan, **seconded by** Councilmember Jamie Whelan to recess into Executive Session.

Vote: 7 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 3:02 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body; and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4), respectively.

i. Legal advice regarding the potential IGA with the Arizona Department of Economic Security

ii. Legal advice regarding contract with Nestle Purina

B. ~~Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).~~ *

i. ~~Legal advice regarding Proposition 126 and a pending SB1487 claim~~

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held October 15, 2019, reconvened into Open Session at 4:07 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, OCTOBER 15, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:30 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 4:07 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Austin Aslan, **seconded by** Councilmember Jamie Whelan to recess into Executive Session.

Vote: 7 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 4:08 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Legal advice regarding Prop 126 and a pending request for a State Attorney General's opinion.

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held October 15, 2019, reconvened into Open Session at 4:17 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, NOVEMBER 5, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:00 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 3:02 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Jim McCarthy, **seconded by** Councilmember Regina Salas to recess into Executive Session.

Vote: 7 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 3:03 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body; discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. §38-431.03(A)(3),(4), and (7), respectively.

i. Legal Advice regarding Theatrikos Inc. Notice of Claim and Lease

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held November 5, 2019, reconvened into Open Session at 4:06 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, NOVEMBER 12, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:00 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 3:03 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD (arrived at 3:05 p.m.)	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Vice Mayor Adam Shimoni, **seconded by** Councilmember Regina Salas to recess into Executive Session

Vote: 6 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 3:04 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body; and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4), respectively.

i. Proposed Amendment to Mill Town Development Agreement

ii. Cortland Development Agreement

B. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Legal Advice Regarding City of Flagstaff Sidewalk Ordinance and Sidewalk Maintenance

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held November 12, 2019, reconvened into Open Session at 5:22 p.m. at which time the meeting adjourned.

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MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, NOVEMBER 19, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
2:30 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 2:33 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS COUNCILMEMBER ASLAN COUNCILMEMBER MCCARTHY COUNCILMEMBER ODEGAARD COUNCILMEMBER SALAS COUNCILMEMBER WHELAN	VICE MAYOR SHIMONI

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Charlie Odegaard, **seconded by** Councilmember Jim McCarthy to recess into Executive Session.

Vote: 6 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 2:34 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body ~~and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation,~~ pursuant to A.R.S. §38-431.03(A)(3)~~ and (4).~~

i. ~~Water Litigation Update~~
A Citizens' Petition requesting Council to implement a more fair election system, called Ranked Choice Voting (RCV). This method of voting is innovative and has proven to be more just, to encourage diversity, and will be reflective of our vibrant community.

B. Discussion or consultation for legal advice with the attorney or attorneys of the public body and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. §38-431.03(A)(3) and (7), respectively.

i. Rio De Flag Property Negotiations

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held November 19, 2019, reconvened into Open Session at 3:55 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, NOVEMBER 26, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
5:00 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 5:00 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Jim McCarthy to recess into Executive Session.

Vote: 7 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 5:01 p.m.

A. Discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S. §38-431.03(A)(7).

i. Lease Agreement with General Service Administration – Build to Suit for USGS

B. Discussion or consultation for legal advice with the attorney or attorneys of the public body; discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation; and discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property, pursuant to A.R.S.

§38-431.03(A)(3),(4), and (7), respectively.

i. Legal advice on license agreement with BNSF

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held November 26, 2019, reconvened into Open Session at 5:52 p.m. at which time the meeting adjourned.

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MAYOR

ATTEST:

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CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, DECEMBER 3, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:30 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 3:30 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI (arrived at 3:31 p.m.)	
COUNCILMEMBER ASLAN (arrived at 3:31 p.m.)	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD	
COUNCILMEMBER SALAS (arrived at 3:51 p.m.)	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Charlie Odegaard to recess into Executive Session.

Vote: 4 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 3:31 p.m.

A. ~~Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).~~

i. ~~Water Litigation Update~~

B. Discussion or consultation for legal advice with the attorney or attorneys of the public body; and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4), respectively.

i. Legal advice regarding contract negotiations with Gotcha

ii. Legal advice regarding claim under A.R.S. § 12-1134 (“Prop 207”) and discussion of options to resolve the claim.

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held December 3, 2019, reconvened into Open Session at 4:25 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

SPECIAL MEETING (EXECUTIVE SESSION)
TUESDAY, DECEMBER 17, 2019
STAFF CONFERENCE ROOM - SECOND FLOOR
FLAGSTAFF CITY HALL
211 WEST ASPEN AVENUE
3:30 P.M.

1. Call to Order

Mayor Evans called the Special Meeting (Executive Session) to order at 3:30 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:	ABSENT:
MAYOR EVANS	
VICE MAYOR SHIMONI	
COUNCILMEMBER ASLAN (arrived at 3:32 p.m.)	
COUNCILMEMBER MCCARTHY	
COUNCILMEMBER ODEGAARD (arrived at 3:33 p.m.)	
COUNCILMEMBER SALAS	
COUNCILMEMBER WHELAN	

Others present: City Manager Greg Clifton and City Attorney Sterling Solomon.

3. Recess into Executive Session

Moved by Councilmember Jamie Whelan, **seconded by** Councilmember Regina Salas to recess into Executive Session.

Vote: 5 - 0 - Unanimously

4. Executive Session:

The Flagstaff City Council recessed into Executive Session at 3:321 p.m.

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body; and discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(3) and (4), respectively.

i. Legal advice regarding contract for minimum wage impact study

B. Discussion or consultation for legal advice with the attorney or attorneys of the public body, pursuant to A.R.S. §38-431.03(A)(3).

i. Legal Advice Regarding Coconino County Flood Control District

5. Adjournment

The Special Meeting (Executive Session) of the Flagstaff City Council held December 17, 2019, reconvened into Open Session at 4:20 p.m. at which time the meeting adjourned.

_____
MAYOR

ATTEST:

_____
CITY CLERK

6. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Fobar, Deputy City Clerk
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration of Appointments: Parks and Recreation Commission.

STAFF RECOMMENDED ACTION:

Make one appointment to a term expiring August 2023.

Executive Summary:

The Parks and Recreation Commission consists of seven (7) citizen members. The Parks and Recreation Commission makes recommendations to the Council regarding City parks and recreational programs, the annual budget and capital improvements for the Parks and Recreation Divisions. There are currently three available seats. It is important to fill vacancies on Boards and Commissions quickly so as to allow the Commission to continue meeting on a regular basis.

There are four applications on file for consideration by the Council, they are as follows:

John Brinkmann (new applicant)
Greg Kleiner (new applicant)
Ryan Martin (current commissioner)
Tod Morris (new applicant)

John Brinkmann currently serves on the Board of Adjustment, but would resign his seat on the Board if appointed to the Parks and Recreation Commission. In an effort to reduce exposure to personal information the commission roster, applicant roster and applications will be submitted to the City Council separately.

COUNCIL APPOINTMENT ASSIGNMENT: Mayor Evans

Financial Impact:

These are voluntary positions and there is no budgetary impact to the City of Flagstaff.

Policy Impact:

None

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

There is no Council goal that specifically addresses appointments to Boards and Commissions; however, boards and commissions do provide input and recommendations based on City Council goals that may pertain to the board or commission work plan.

Has There Been Previous Council Decision on This:

None

Options and Alternatives:

1) Appoint one Commissioner: By appointing a member at this time, the commission will be at full membership and able to continue to meet and provide recommendations to the City Council.
2) Table the action to allow for further discussion or expand the list of candidates.

Community Benefits and Considerations:

The City's boards, commissions, and committees were created to foster public participation and input and to encourage Flagstaff citizens to take an active role in city government.

Community Involvement:

INFORM: The vacancies are posted on the City's website and individual recruitment and mention of the openings by Board members and by City staff have occurred, informing others of these vacancies through word of mouth.

Attachments: Parks and Recreation Commission Authority

CHAPTER 2-03
PARKS AND RECREATION COMMISSION

SECTIONS:

2-03-001-0001 COMMISSION CREATED; MEMBERS:
2-03-001-0002 TERMS; VACANCIES; COMPENSATION:
2-03-001-0003 ORGANIZATION AND RULES:
2-03-001-0004 POWERS AND DUTIES:

2-03-001-0001 COMMISSION CREATED; MEMBERS:

There is hereby created a Parks and Recreation Commission for the City, consisting of seven (7) members appointed by the City Council. (Ord. No. 2007-11, Amended 02/06/2007; Ord. 2014-28, Amended, 11/18/2014)

2-03-001-0002 TERMS; VACANCIES; COMPENSATION:

Terms of the appointed members shall be for three (3) years.

The Council shall fill vacancies for the unexpired term of any of the members of the Commission and no member of the Commission shall receive compensation for services thereon. (Ord. 1475, 2-3-87)

2-03-001-0003 ORGANIZATION AND RULES:

Upon the taking effect of this Chapter, and when appointed, the members shall meet and organize and elect a Chairman to serve for one year with a new Chairman being elected each succeeding year. The Commission may adopt by-laws, procedures and standards for the operation of the Commission not inconsistent with the provisions of this Chapter. A quorum shall consist of four (4) voting members. The Commission shall meet not less than four (4) times each year.

(Ord. No. 2007-11, Amended 02/06/2007)

2-03-001-0004 POWERS AND DUTIES:

A. The duties of the Commission shall be to advise the Council, through periodic written reports to the Council, recommending policy direction on City lands, structures and facilities that are set aside or should be set aside or dedicated to recreational purposes, including but not limited to parks, swimming pools, playgrounds, playing and sports fields and golf courses. The scope of the activities of the Commission shall also include but not be limited to advising and recommending policy direction in activities involving recreational and cultural pursuits of the elderly and the young and to otherwise employ in constructive and wholesome manner leisure time of the citizens.

B. The City Council may consider the advice and recommendation of the Commission and thereafter give direction through the City Manager to implement the recreational program as they see fit.

C. The Commission shall review and make recommendation on the annual budget of the Parks Section and Recreation Section prior to the submittal thereof to the City Manager.

D. With respect to the parks and recreation portion of the Bed, Board and Booze Tax allocated under Chapter 3-06, Hospitality Industry Tax Revenues, the Commission shall make recommendations to the Council concerning the annual budgetary allocation of the parks and recreation portion of this tax, to include but not be limited to:

1. Developing parks and recreation facilities, and programs as needed to benefit the community and its visitors.

2. Funding for the Flagstaff urban trails system development and maintenance.

3. Developing, acquiring and distributing material to promote parks and recreation.

4. Retaining of appropriate staff to implement approved programs.

E. For purposes of subsection (D) of this section, "parks and recreation" means the development and management of public parks, recreational facilities, and programs which are available to the residents and visitors including funding the Flagstaff urban trail system. (Same meaning as set forth in Section 3-06-001-0001.) (Ord. 865, 12-12-72; Ord. 1335, 10-16-84; Ord. 2015-22, Amended, 01/05/2016)

7. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Fobar, Deputy City Clerk
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Action on Liquor License Application: Amy S. Nations, "Dirty Birdies," 2285 E. Butler Avenue, Series 06 and Series 12, New Applications.

STAFF RECOMMENDED ACTION:

Open the public hearing.
Receive citizen input.
Close the public hearing.

The City Council has the option to:
1) Forward the application to the State with a recommendation for approval;
2) Forward the application to the State with a recommendation for denial based on the testimony received at the public hearing and/or other factors.

Executive Summary:

The liquor license process begins at the State level and applications are then forwarded to the respective municipality for posting of the property and holding a public hearing, after which the Council recommendation is forwarded back to the State. The applicant is requesting approval of a Series 06 (bar) license and a Series 12 (restaurant) license at this location.

A Series 12 license allows the holder of a restaurant license to sell and serve spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food. Dirty Birdies is a new business in Flagstaff applying for a new series 12 restaurant license.If approved, it will be the 93rd active Series 12 license in Flagstaff. Series 12 licenses are non-quota licenses.

A Series 06 license allows a bar retailer to sell and serve spirituous liquors, primarily by individual portions, to be consumed on the premises and in the original container for consumption on or off the premises. Series 06 (bar- all spirituous liquor) licenses are obtained through the person and/or location transfer of an existing license from another business. This license was purchased by Alvin Patel Holdings LLC from KISFLAG LLC. If approved, this license will be one of the 22 active series 06 licenses.

To view surrounding liquor licenses, please refer to the online interactive Liquor License Map.

The property has been posted as required, and the Police and Community Development divisions have reviewed the application and provided their respective reports.

Financial Impact:
There is no budgetary impact to the City of Flagstaff as this is a recommendation to the State.

Policy Impact:
Not applicable.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:
Liquor licenses are a regulatory action and there is no Council goal that applies.

Has There Been Previous Council Decision on This:
Not applicable.

Key Considerations:
Because the application is for a new license, consideration may be given to both the location and the applicant's personal qualifications.

The deadline for issuing a recommendation on this application is October 21, 2020.

Community Benefits and Considerations:
This business will contribute to the tax base of the community.

Community Involvement:
The application was properly posted on September 25, 2020. No written protests have been received to date.

Attachments:
Letter to Applicant
Hearing Procedures
Series 06 Description
Series 12 Description
PD Memo
Dirty Birdies - Zoning Memo
Dirty Birdies - Map
Derogatory Remark for KP

City of Flagstaff

OFFICE OF THE CITY CLERK

10/5/2020

Amy S. Nations
Dirty Birdies
PO Box 2502
Chandler, AZ 85244

Dear Ms. Nations:

Your application for a new Series 12 Liquor License and a new Series 06 Liquor License for Dirty Birdies located at 2285 E. Butler Avenue, Flagstaff, AZ was posted on September 25, 2020. The City Council will consider the application at a public hearing during their regularly scheduled City Council Meeting on **Tuesday, October 20, 2020 which will begin at 3:00 p.m.**

It is important that you or your representative attend this Council Meeting via video conference (Microsoft Teams Meeting) and be prepared to answer any questions that the City Council may have. The instructions on how to join the online meeting will be emailed to you prior to the hearing. Failure to be available for questions could result in a recommendation for denial of your application. We suggest that you contact your legal counsel or the Department of Liquor Licenses and Control at 602-542-5141 to determine the criteria for your license. To help you understand how the public hearing process will be conducted, we are enclosing a copy of the City's liquor license application hearing procedures.

The twenty-day posting period for your liquor license application is set to expire on October 16, 2020 and the application may be removed from the premises at that time.

There is an $815 application fee which needs to be received prior to the hearing date. Payment can be made online at https://www.flagstaff.az.gov/2452/E--Services under Business Licensing Payment Online Services by clicking Liquor License Request Payment, in person at the payment window, or you can send a check to my attention at 211 W. Aspen Ave., Flagstaff, AZ 86001.

If you have any questions, please feel free to call me at 928-213-2077 or 928-220-5995.

Sincerely,

Stacy M. Fobar

Stacy M. Fobar
Deputy City Clerk

Enclosures

City of Flagstaff

Liquor License Application
Hearing Procedures

1. When the matter is reached at the Council meeting, the presiding officer will open the public hearing on the item.

2. The presiding officer will request that the Applicant come forward to address the Council regarding the application in a presentation not exceeding ten (10) minutes. Council may question the Applicant regarding the testimony or other evidence provided by the Applicant.

3. The presiding officer will then ask whether City staff have information to present to the Council regarding the application. Staff should come forward at this point and present information to the Council in a presentation not exceeding ten (10) minutes. Council may question City staff regarding the testimony or other evidence provided by City staff.

4. Other parties, if any, may then testify, limited to three (3) minutes per person. Council may question these parties regarding the testimony they present to the Council.

5. The Applicant may make a concise closing statement to the Council, limited to five (5) minutes. During this statement, Council may ask additional questions of the Applicant.

6. City staff may make a concise closing statement to the Council, limited to five (5) minutes. During this statement, Council may ask additional questions of City Staff.

7. The presiding officer will then close the public hearing.

8. The Council will then, by motion, vote to forward the application to the State with a recommendation of approval, disapproval, or shall vote to forward with no recommendation.

R19-1-702. Determining Whether to Grant a License for a Certain Location

A. To determine whether public convenience requires and the best interest of the community will be substantially served by issuing or transferring a license at a particular unlicensed location, local governing authorities and the Board may consider the following criteria:

1. Petitions and testimony from individuals who favor or oppose issuance of a license and who reside in, own, or lease property within one mile of the proposed premises;

2. Number and types of licenses within one mile of the proposed premises;

3. Evidence that all necessary licenses and permits for which the applicant is eligible at the time of application have been obtained from the state and all other governing bodies;

4. Residential and commercial population of the community and its likelihood of increasing, decreasing, or remaining static;

5. Residential and commercial population density within one mile of the proposed premises;

6. Evidence concerning the nature of the proposed business, its potential market, and its likely customers;

7. Effect on vehicular traffic within one mile of the proposed premises;

8. Compatibility of the proposed business with other activity within one mile of the proposed premises;

9. Effect or impact on the activities of businesses or the residential neighborhood that might be affected by granting a license at the proposed premises;

10. History for the past five years of liquor violations and reported criminal activity at the proposed premises provided that the applicant received a detailed report of the violations and criminal activity at least 20 days before the hearing by the Board;

11. Comparison of the hours of operation at the proposed premises to the hours of operation of existing businesses within one mile of the proposed premises; and

12. Proximity of the proposed premises to licensed childcare facilities as defined by A.R.S. § 36-881.

B. This Section is authorized by A.R.S. § 4-201(I).

License Types: Series 06 Bar (all spirituous liquor)

Transferable (From person to person and/or location to location within the same county only)
On & off-sale retail privileges
Note: Terms in **BOLD CAPITALS** are defined in the glossary.

PURPOSE:
Allows a bar retailer to sell and serve spirituous liquors, primarily by individual portions, to be consumed on the premises and in the original container for consumption on or off the premises.

ADDITIONAL RIGHTS AND RESPONSIBILITIES:
A retailer with off-sale privileges may deliver spirituous liquor off of the licensed premises in connection with a retail sale. Payment must be made no later than the time of **DELIVERY**. The retailer must complete a Department approved "Record of Delivery" form for each spirituous liquor retail delivery.

On any original applications, new managers and/or the person responsible for the day-to-day operations must attend a basic and management training class.

A licensee acting as a **RETAIL AGENT**, authorized to purchase and accept delivery of spirituous liquor by other licensees, must receive a certificate of registration from the Department.

A **PREGNANCY WARNING SIGN** for pregnant women consuming spirituous liquor must be posted within twenty (20) feet of the cash register or behind the bar.

A log must be kept by the licensee of all persons employed at the premises including each employee's name, date and place of birth, address and responsibilities.

Off-sale ("To Go") package sales of spirituous liquor can be made on the bar premises as long as the area of off-sale operation does not utilize a separate entrance and exit from the ones provided for the bar.

A hotel or motel with a Series 06 license may sell spirituous liquor in sealed containers in individual portions to its registered guests at any time by means of a minibar located in the guest rooms of registered guests. The registered guest must be at least twenty-one (21) years of age. Access to the minibar is by a key or magnetic card device and not furnished to a guest between the hours of 2:00 a.m. and 6:00 a.m. Monday through Saturday and 2:00 a.m. and 10:00 a.m. on Sundays.

Bar, beer and wine bar, and restaurant licensees must pay an annual **SURCHARGE** of $20.00. The money collected from these licensees will be used by the Department for an auditor to review compliance by restaurants with the restaurant licensing provisions of ARS 4-205.02.

License Types: Series 12 Restaurant License

Non-transferable
On-sale retail privileges
Note: Terms in **BOLD CAPITALS** are defined in the glossary.

PURPOSE:
Allows the holder of a restaurant license to sell and serve spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food.

ADDITIONAL RIGHTS AND RESPONSIBILITIES:
An applicant for a restaurant license must file a copy of its restaurant menu and Restaurant Operation Plan with the application. The Plan must include listings of all restaurant equipment and service items, the restaurant seating capacity, and other information requested by the department to substantiate that the restaurant will operate in compliance with Title 4.

The licensee must notify the Department, in advance, of any proposed changes in the seating capacity of the restaurant or dimensions of a restaurant facility.

A restaurant licensee must maintain complete restaurant services continually during the hours of selling and serving of spirituous liquor, until at least 10:00 p.m. daily, if any spirituous liquor is to be sold and served up to 2:00 a.m.

On any original applications, new managers and/or the person responsible for the day-to-day operations must attend a basic and management training class.

A licensee acting as a **RETAIL AGENT**, authorized to purchase and accept **DELIVERY** of spirituous liquor by other licensees, must receive a certificate of registration from the Department.

A **PREGNANCY WARNING SIGN** for pregnant women consuming spirituous liquor must be posted within twenty (20) feet of the cash register or behind the bar.

A log must be kept by the licensee of all persons employed at the premises including each employee's name, date and place of birth, address and responsibilities.

Bar, beer and wine bar, and restaurant licensees must pay an annual surcharge of $20.00. The money collected from these licensees will be used by the Department for an auditor to review compliance by restaurants with the restaurant licensing provisions of ARS 4-205.02.

FLAGSTAFF POLICE DEPARTMENT
911 SAWMILL RD • FLAGSTAFF, ARIZONA 86001• (928) 779-3646
ADMIN FAX (928)213-3372
TDD 1-800-842-4681

Chief of Police
Kevin D. Treadway

MEMORANDUM

Memo #20-074

TO: **Chief Dan Musselman**

FROM: **Sgt. Ryan Turley**

DATE: **October 6th 2020**

RE: **LIQUOR LICENSE APPLICATION – SERIES 12 AND SERIES 6- FOR "Dirty Birdies".**

On October 6th, I initiated an investigation into an application for Series 12 (Restaurant) and Series 6 (Bar) liquor license filed by Amy Nations (Agent), Karan Patel (Controlling Person), Kunal Patel (Controlling Person) and Steven Alvin (Controlling Person). The license # is 06030040, and it is for Dirty Birdies located at 2285 E. Butler Ave

I conducted a query through local systems and public access on Amy, Karan, Kunal and Steven. I found no derogatory records for Amy, Kunal. I found that Karan had been arrested for disorderly conduct and threatening and intimidating in February of 2019 which was ultimately dismissed in court. Karan was also arrested for a DUI in February 2017 in which he pled guilty.

Steven was arrested for theft in 1998 but pled guilty to a lower charge. Steven was also arrested for possession of marijuana for sale and unlawful use of a means of transportation in 1997 but pled guilty to unlawful use of a means transportation and the other charge was dropped by the court.

I discovered that Amy works for Arizona Liquor Industry Consultants and has several other liquor licenses. I found no current or historic liquor violations under this existing license number or applicants. I found that Casey has taken the mandatory liquor law training. I found that Steven has taken the mandatory liquor law training.

I spoke to Steven about this application. He confirmed that she or one of the other applicants would attend the council meeting on October 20th, 2020. The hours that Dirty Birdies would be

open would be for breakfast, lunch and dinner, however; they plan to be open until 2AM at least on the weekends.

Planning and Development Services Memorandum

To: Stacy Fobar, Deputy City Clerk

From: Reggie Eccleston, Code Compliance Manager

CC: Tiffany Antol, Planning Director

Date: Sept. 30, 2020

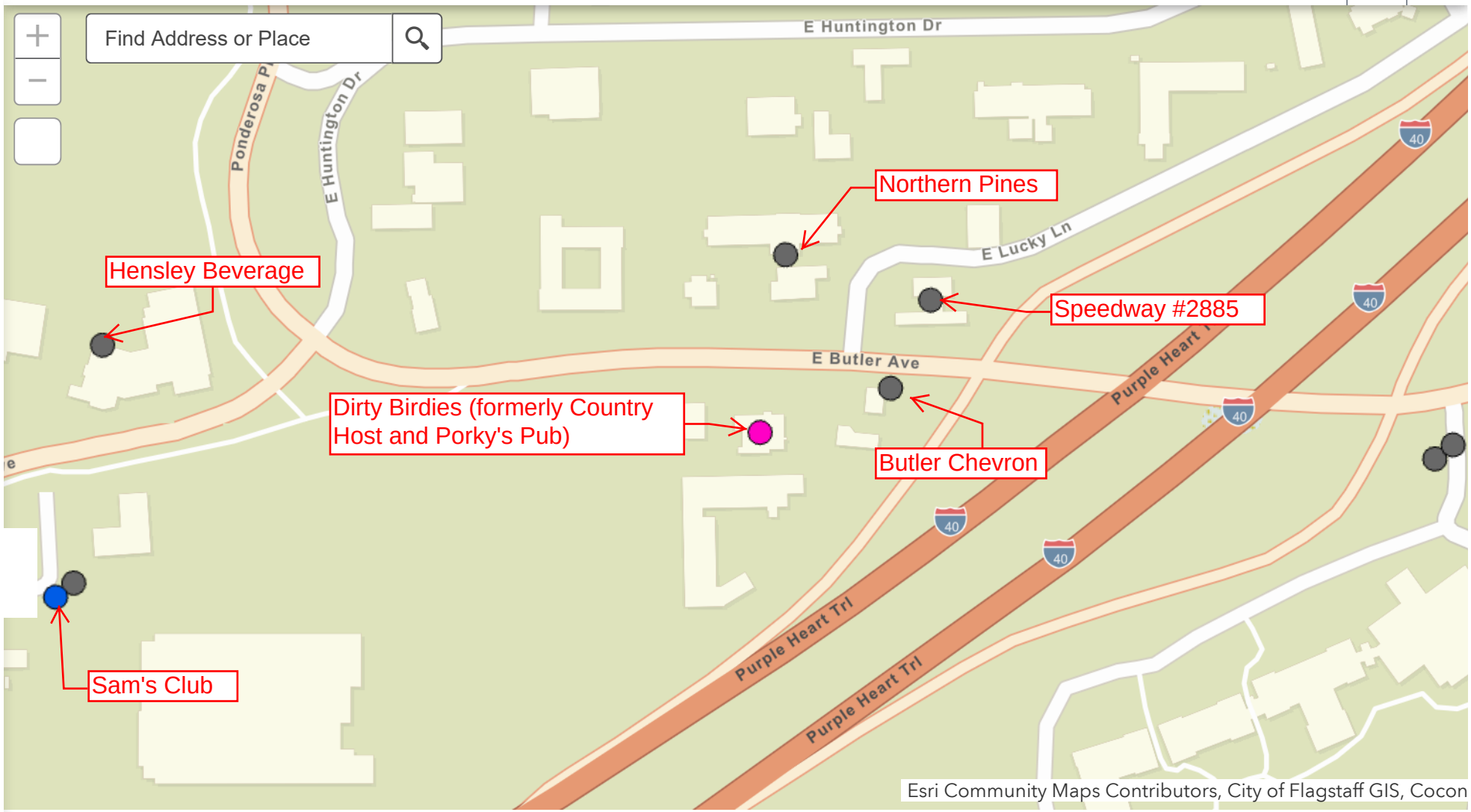
Re: Application for Liquor License #118990 & #118994
2285 E. Butler Ave., Flagstaff, Arizona 86004
Assessor's Parcel Number 106-04-004W
Amy S. Nations on behalf of Dirty Birdies

This application is a request for a new Series 06 Bar liquor license and a new Series 12 Restaurant liquor license by Amy S. Nations on behalf of Dirty Birdies. This business is located within the Highway Commercial district. This district does allow for this use.

There are no active Zoning Code violations associated with the applicant or the property at this time.

Active Liquor Licenses

City of Flagstaff GIS



'20 SEP 4 Liq. Lic. PM 4:38

Karan C Patel

#14 Questionnaire
Arrested for DUI IN FEB 2017 - PLEAD GUILTY AND WAS FINED $2,500, INTERLOCK DEVICE FOR SIX MONTHS, SIX MONTHS PROBATION AND I COMPLETED AN ALCOHOL TREATMENT PROGRAM. February 2019, DISORDERLY CONDUCT, COMMUNITY SERVICE & FINE.

Karan Patel

Karan C Patel

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Jerry Bills, Deputy Fire Chief
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Approval of Grant Application: The Assistance to Firefighters Grant Program - COVID 19 Supplemental Grant Award of $56,850 with the Federal Portion of $51,681

STAFF RECOMMENDED ACTION:

Approve the application to Assistance to Firefighters Grant Program for grant funds in the amount of $51,681.82 with a city match of $5,168.18

Executive Summary:

The COVID-19 epidemic has caused the Fire Department to expand its Personal Protective Equipment (PPE) and inventory to accommodate the increasing use due to COVID-19 response activity. During the onset of the epidemic the Fire Department tracked use of PPE and the use of specific cleaning supplies used on the equipment by our personnel after these services were provided. Using this information, we made application to the Assistance to Firefighters Grant program Supplemental COVID-19 process. We have received an award in the above amount to assist in purchasing the materials to protect our employees and citizens from COVID exposures. We believe this will purchase a year's worth of PPE and cleaning supplies.

Financial Impact:

The grant award is in the amount of $51,681.82 with a city match in the amount of $5,168.18 for a total project cost of $56,850 to purchase PPE and cleaning supplies related to COVID-19 responses. This grant is budgeted in the General Fund, Fire Grant Section for $735,000 (account number 001-03-052-6152-2-4354).

Policy Impact:

No policy impacts.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Provide public safety with the resources, staff, and training to respond to community needs

Deliver outstanding services to residents through a healthy, well maintained infrastructure system

Regional Plan

Work across all government operations and services to prepare for the impacts of natural and human

caused hazards.

Has There Been Previous Council Decision on This:

None.

Options and Alternatives:

Accept the Grant
Decline the Grant

Background/History:

The project is to provide one year of PPE to each operational employee to be worn when responding to and treating potential COVID-19 patients as determined by our City Dispatch system. The Flagstaff Fire Department is a 90-person career department that provides 75,000-100,000 citizens and visitors fire and medical services 24 hours a day 7 days a week. We average 14,500 alarms a year with 80% or 11,600 Emergency Medical Service (EMS) calls a year. Throughout the COVID-19 emergency we have tracked our rate of PPE use and have assessed the risk to our employees. The City is the center and County seat of the second largest county in the USA at 18,000 square miles. Two of the three Coconino County Health Department drive up test sites are in our jurisdiction adding to the level of potential exposure. The current rate of test is 19% positive for COVID-19 meaning 1 in 5 people has the potential to be COVID-19 positive. Our protocols require PPE on all EMS incidents. We consider the full PPE to be eye protection, shoe covers, gowns, or EMS Turnouts, gloves N95, or higher protection. Full PPE will be worn on all High-Risk EMS calls where there is a potential carrier of the virus. This request was made using the average amount of PPE supplies used in a month multiplied by 12 months.

Expanded Financial Considerations:

The Grant Award will provide the following equipment and supplies to our first responders. Eye Protection $1200. Isolation Gowns $19,800. Gloves $5,040. Footwear Covers $300. Respirators $14,850. Surgical Type Face Masks $6,000 to meet CDC recommendations and/or state mandates for face covering when in a public setting other than direct patient contact. We are including decontamination supplies and services for PPE, station-quarters, and vehicles. Personally issued antiseptic refillable hand washes bottle an alcohol sanitizer $3,000. Decontamination soap for equipment and stations $1,200, and biohazard disposal cost are $6,000. (numbers are estimates)

Community Benefits and Considerations:

This equipment and supplies protect first responders and the citizens from COVID-19 exposure when interacting with our crews or visiting the stations.

The grant funds one of the highest levels of protection to our employees and is consistent with our Grater Flagstaff Regional Partners.

Attachments: Award PPE FD

Award Letter

U.S. Department of Homeland Security
Washington, D.C. 20472

FEMA

Stacey Brechler-Knaggs
CITY OF FLAGSTAFF
FLAGSTAFF CITY HALL 211 W ASPEN AVE
FLAGSTAFF, AZ 86001

EMW-2020-FG-00549

Dear Stacey Brechler-Knaggs,

Congratulations on behalf of the Department of Homeland Security. Your application submitted for the Fiscal Year 2020 Assistance to Firefighters Grant Program - COVID-19 Supplemental (AFG-S) has been approved in the amount of $51,681.82 in Federal funding. As a condition of this grant, you are required to contribute non-Federal funds equal to or greater than 10.0% of the Federal funds awarded, or $5,168.18 for a total approved budget of $56,850.00. Please see the FY 2020 AFG-S Notice of Funding Opportunity for information on how to meet this cost share requirement.

Before you request and receive any of the Federal funds awarded to you, you must establish acceptance of the award through the FEMA Grants Outcomes (FEMA GO) system. By accepting this award, you acknowledge that the terms of the following documents are incorporated into the terms of your award:

- Summary Award Memo - included in this document
- Agreement Articles - included in this document
- Obligating Document - included in this document
- FY 2020 AFG-S Notice of Funding Opportunity (NOFO) - incorporated by reference

Please make sure you read, understand, and maintain a copy of these documents in your official file for this award.

Sincerely,

Christopher Logan
Acting Assistant Administrator
Grant Programs Directorate

Summary Award Memo

Program: Fiscal Year 2020 Assistance to Firefighters Grant Program - COVID-19 Supplemental
Recipient: CITY OF FLAGSTAFF
DUNS number: 088302625
Award number: EMW-2020-FG-00549

Summary description of award

The purpose of the Assistance to Firefighters Grant Program - COVID-19 Supplemental (AFG-S) is to provide funds for the purchase of PPE and related supplies, including reimbursements, to prevent, prepare for, and respond to coronavirus. After careful consideration, FEMA has determined that the recipient`s project or projects submitted as part of the recipient`s application and detailed in the project narrative as well as the request details section of the application - including budget information - was consistent with the Assistance to Firefighters Grant Program - COVID-19 Supplemental (AFG-S)'s purpose and was worthy of award.

Except as otherwise approved as noted in this award, the information you provided in your application for FY 2020 Assistance to Firefighters Grant Program - COVID-19 Supplemental (AFG-S) funding is incorporated into the terms and conditions of this award. This includes any documents submitted as part of the application.

Amount awarded

The amount of the award is detailed in the attached Obligating Document for Award.

The following are the budgeted estimates for object classes for this award (including Federal share plus your cost share, if applicable):

Object Class	Total
Personnel	$0.00
Fringe benefits	$0.00
Travel	$0.00
Equipment	$0.00
Supplies	$50,850.00
Contractual	$6,000.00
Construction	$0.00
Other	$0.00
Indirect charges	$0.00
Federal	$51,681.82
Non-federal	$5,168.18
Total	$56,850.00
Program Income	$0.00

Approved scope of work

After review of your application, FEMA has approved the below scope of work. Justifications are provided for any differences between the scope of work in the original application and the approved scope of work under this award. You must submit scope or budget revision requests for FEMA`s prior approval, via an amendment request, as appropriate per 2 C.F.R. § 200.308 and the AFG-S NOFO.

Approved request details:

Personal Protective Equipment (PPE)

Eye Protection

DESCRIPTION

gallons of hand sanitizer to refill Personally-issued antiseptic hand washes, antiseptic hand rubs such as alcohol-based hand sanitizers, foams or gels.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	60	$50.00	$3,000.00	Supplies

Supplies

DESCRIPTION

Decontamination supplies and services for PPE, station-quarters, and vehicles cases of equipment and station sanitizing wash.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	12	$100.00	$1,200.00	Supplies

Gloves

DESCRIPTION

single use, disposable patient examination gloves

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	240	$21.00	$5,040.00	Supplies

Footwear Covers

DESCRIPTION

Single use, disposable medical footwear covers

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	1,200	$0.25	$300.00	Supplies

Surgical Type Face Masks

DESCRIPTION

loose-fitting, single use disposable physical barrier between the mouth and nose of the wearer to allow fire and EMS personnel to meet CDC recommendations and/or state mandates for face covering when in a public setting other than direct patient contact.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	12,000	$0.50	$6,000.00	Supplies

Eye Protection

DESCRIPTION

Appropriately fitted, indirectly vented goggles or single use disposable face shield that fully covers the front and sides of the face.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	240	$2.75	$660.00	Supplies

Isolation Gowns

DESCRIPTION

Nonsterile, single use fluid-resistant and impermeable disposable patient isolation gown.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	6,000	$3.30	$19,800.00	Supplies

Supplies

DESCRIPTION

Dispose of Bio hazardous waste via red bags. cost is for the company to pick up and dispose of the waste generated by response. 5 bags a month for 1 year.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	60	$100.00	$6,000.00	Contractual

Respirators

DESCRIPTION

Any NIOSH-approved particulate respirator N-95 or higher-level respirator.

	QUANTITY	UNIT PRICE	TOTAL	BUDGET CLASS
Cost 1	3,300	$4.50	$14,850.00	Supplies

Agreement Articles

Program: Fiscal Year 2020 Assistance to Firefighters Grant Program - COVID-19 Supplemental
Recipient: CITY OF FLAGSTAFF
DUNS number: 088302625
Award number: EMW-2020-FG-00549

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Article 1	**Assurances, Administrative Requirements, Cost Principles, Representations and Certifications** DHS financial assistance recipients must complete either the Office of Management and Budget (OMB) Standard Form 424B Assurances – Non-Construction Programs, or OMB Standard Form 424D Assurances – Construction Programs, as applicable. Certain assurances in these documents may not be applicable to your program, and the DHS financial assistance office (DHS FAO) may require applicants to certify additional assurances. Applicants are required to fill out the assurances applicable to their program as instructed by the awarding agency. Please contact the DHS FAO if you have any questions. DHS financial assistance recipients are required to follow the applicable provisions of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards located at Title 2, Code of Federal Regulations (C.F.R.) Part 200, and adopted by DHS at 2 C.F.R. Part 3002.
Article 2	**DHS Specific Acknowledgements and Assurances** All recipients, subrecipients, successors, transferees, and assignees must acknowledge and agree to comply with applicable provisions governing DHS access to records, accounts, documents, information, facilities, and staff. 1. Recipients must cooperate with any compliance reviews or compliance investigations conducted by DHS. 2. Recipients must give DHS access to, and the right to examine and copy, records, accounts, and other documents and sources of information related to the federal financial assistance award and permit access to facilities, personnel, and other individuals and information as may be necessary, as required by DHS regulations and other applicable laws or program guidance. 3. Recipients must submit timely, complete, and accurate reports to the appropriate DHS officials and maintain appropriate backup documentation to support the reports. 4. Recipients must comply with all other special reporting, data collection, and evaluation requirements, as prescribed by law or detailed in program guidance. 5. Recipients of federal financial assistance from DHS must complete the DHS Civil Rights Evaluation Tool within thirty (30) days of receipt of the Notice of Award or, for State Administering Agencies, thirty (30) days from receipt of the DHS Civil Rights Evaluation Tool from DHS or its awarding component agency. Recipients are required to provide this information once every two (2) years, not every time an award is made. After the initial submission for the first award under which this term applies, recipients are only required to submit updates every two years, not every time a grant is awarded. Recipients should submit the completed tool, including supporting materials to CivilRightsEvaluation@hq.dhs.gov. This tool clarifies the civil rights obligations and related reporting requirements contained in the DHS Standard Terms and Conditions. Subrecipients are not required to complete and submit this tool to DHS. The evaluation tool can be found at https://www.dhs.gov/publication/dhs-civil-rights-evaluation-tool. 6. The DHS Office for Civil Rights and Civil Liberties will consider, in its discretion, granting an extension if the recipient identifies steps and a timeline for completing the tool. Recipients should request extensions by emailing the request to CivilRightsEvaluation@hq.dhs.gov prior to expiration of the 30-day deadline.

Article 3	**Acknowledgement of Federal Funding from DHS** Recipients must acknowledge their use of federal funding when issuing statements, press releases, requests for proposal, bid invitations, and other documents describing projects or programs funded in whole or in part with federal funds.
Article 4	**Activities Conducted Abroad** Recipients must ensure that project activities carried on outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, or approvals are obtained.
Article 5	**Age Discrimination Act of 1975** Recipients must comply with the requirements of the Age Discrimination Act of 1975, Pub. L. No. 94-135 (1975) (codified as amended at Title 42, U.S. Code, § 6101 et seq.), which prohibits discrimination on the basis of age in any program or activity receiving federal financial assistance.
Article 6	**Americans with Disabilities Act of 1990** Recipients must comply with the requirements of Titles I, II, and III of the Americans with Disabilities Act, Pub. L. No. 101-336 (1990) (codified as amended at 42 U.S.C. §§ 12101–12213), which prohibits recipients from discriminating on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities.
Article 7	**Best Practices for Collection and Use of Personally Identifiable Information (PII)** Recipients who collect PII are required to have a publicly available privacy policy that describes standards on the usage and maintenance of the PII they collect. DHS defines personally identifiable information (PII) as any information that permits the identity of an individual to be directly or indirectly inferred, including any information that is linked or linkable to that individual. Recipients may also find the DHS Privacy Impact Assessments: Privacy Guidance and Privacy Template as useful resources respectively.
Article 8	**Civil Rights Act of 1964 – Title VI** Recipients must comply with the requirements of Title VI of the Civil Rights Act of 1964 (codified as amended at 42 U.S.C. § 2000d et seq.), which provides that no person in the United States will, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. DHS implementing regulations for the Act are found at 6 C.F.R. Part 21 and 44 C.F.R. Part 7.

Article 9	**Civil Rights Act of 1968** Recipients must comply with Title VIII of the Civil Rights Act of 1968, Pub. L. No. 90-284, as amended through Pub. L. 113-4, which prohibits recipients from discriminating in the sale, rental, financing, and advertising of dwellings, or in the provision of services in connection therewith, on the basis of race, color, national origin, religion, disability, familial status, and sex (see 42 U.S.C. § 3601 et seq.), as implemented by the U.S. Department of Housing and Urban Development at 24 C.F.R. Part 100. The prohibition on disability discrimination includes the requirement that new multifamily housing with four or more dwelling units—i.e., the public and common use areas and individual apartment units (all units in buildings with elevators and ground-floor units in buildings without elevators)—be designed and constructed with certain accessible features. (See 24 C.F.R. Part 100, Subpart D.)
Article 10	**Copyright** Recipients must affix the applicable copyright notices of 17 U.S.C. §§ 401 or 402 and an acknowledgement of U.S. Government sponsorship (including the award number) to any work first produced under federal financial assistance awards.
Article 11	**Debarment and Suspension** Recipients are subject to the non-procurement debarment and suspension regulations implementing Executive Orders (E.O.) 12549 and 12689, which are at 2 C.F.R. Part 180 as adopted by DHS at 2 C.F.R. Part 3000. These regulations restrict federal financial assistance awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.
Article 12	**Drug-Free Workplace Regulations** Recipients must comply with drug-free workplace requirements in Subpart B (or Subpart C, if the recipient is an individual) of 2 C.F.R. Part 3001, which adopts the Government-wide implementation (2 C.F.R. Part 182) of Sec. 5152-5158 of the Drug-Free Workplace Act of 1988 (41 U.S.C. §§ 8101-8106).
Article 13	**Duplication of Benefits** Any cost allocable to a particular federal financial assistance award provided for in 2 C.F.R. Part 200, Subpart E may not be charged to other federal financial assistance awards to overcome fund deficiencies; to avoid restrictions imposed by federal statutes, regulations, or federal financial assistance award terms and conditions; or for other reasons. However, these prohibitions would not preclude recipients from shifting costs that are allowable under two or more awards in accordance with existing federal statutes, regulations, or the federal financial assistance award terms and conditions.

Article 14	**Education Amendments of 1972 (Equal Opportunity in Education Act) – Title IX** Recipients must comply with the requirements of Title IX of the Education Amendments of 1972, Pub. L. No. 92-318 (1972) (codified as amended at 20 U.S.C. § 1681 et seq.), which provide that no person in the United States will, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any educational program or activity receiving federal financial assistance. DHS implementing regulations are codified at 6 C.F.R. Part 17 and 44 C.F.R. Part 19.
Article 15	**Energy Policy and Conservation Act** Recipients must comply with the requirements of the Energy Policy and Conservation Act, Pub. L. No. 94- 163 (1975) (codified as amended at 42 U.S.C. § 6201 et seq.), which contain policies relating to energy efficiency that are defined in the state energy conservation plan issued in compliance with this Act.
Article 16	**False Claims Act and Program Fraud Civil Remedies** Recipients must comply with the requirements of the False Claims Act, 31 U.S.C. §§ 3729-3733, which prohibits the submission of false or fraudulent claims for payment to the federal government. (See 31 U.S.C. §§ 3801-3812, which details the administrative remedies for false claims and statements made.)
Article 17	**Federal Debt Status** All recipients are required to be non-delinquent in their repayment of any federal debt. Examples of relevant debt include delinquent payroll and other taxes, audit disallowances, and benefit overpayments. (See OMB Circular A-129.)
Article 18	**Federal Leadership on Reducing Text Messaging while Driving** Recipients are encouraged to adopt and enforce policies that ban text messaging while driving as described in E.O. 13513, including conducting initiatives described in Section 3(a) of the Order when on official government business or when performing any work for or on behalf of the federal government.
Article 19	**Fly America Act of 1974** Recipients must comply with Preference for U.S. Flag Air Carriers (air carriers holding certificates under 49 U.S.C. § 41102) for international air transportation of people and property to the extent that such service is available, in accordance with the International Air Transportation Fair Competitive Practices Act of 1974, 49 U.S.C. § 40118, and the interpretative guidelines issued by the Comptroller General of the United States in the March 31, 1981, amendment to Comptroller General Decision B-138942.
Article 20	**Hotel and Motel Fire Safety Act of 1990** In accordance with Section 6 of the Hotel and Motel Fire Safety Act of 1990, 15 U.S.C. § 2225a, recipients must ensure that all conference, meeting, convention, or training space funded in whole or in part with federal funds complies with the fire prevention and control guidelines of the Federal Fire Prevention and Control Act of 1974, (codified as amended at 15 U.S.C. § 2225.)

Article 21	**Limited English Proficiency (Civil Rights Act of 1964, Title VI)** Recipients must comply with Title VI of the Civil Rights Act of 1964, (42 U.S.C. § 2000d et seq.) prohibition against discrimination on the basis of national origin, which requires that recipients of federal financial assistance take reasonable steps to provide meaningful access to persons with limited English proficiency (LEP) to their programs and services. For additional assistance and information regarding language access obligations, please refer to the DHS Recipient Guidance: https://www.dhs.gov/guidance- published-help-department-supported-organizations-provide-meaningful-access-people-limited and additional resources on http://www.lep.gov.
Article 22	**Lobbying Prohibitions** Recipients must comply with 31 U.S.C. § 1352, which provides that none of the funds provided under a federal financial assistance award may be expended by the recipient to pay any person to influence, or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any federal action related to a federal award or contract, including any extension, continuation, renewal, amendment, or modification.
Article 23	**National Environmental Policy Act** Recipients must comply with the requirements of the National Environmental Policy Act of 1969 (NEPA), Pub. L. No. 91-190 (1970) (codified as amended at 42 U.S.C. § 4321 et seq.) and the Council on Environmental Quality (CEQ) Regulations for Implementing the Procedural Provisions of NEPA, which require recipients to use all practicable means within their authority, and consistent with other essential considerations of national policy, to create and maintain conditions under which people and nature can exist in productive harmony and fulfill the social, economic, and other needs of present and future generations of Americans.
Article 24	**Nondiscrimination in Matters Pertaining to Faith-Based Organizations** It is DHS policy to ensure the equal treatment of faith-based organizations in social service programs administered or supported by DHS or its component agencies, enabling those organizations to participate in providing important social services to beneficiaries. Recipients must comply with the equal treatment policies and requirements contained in 6 C.F.R. Part 19 and other applicable statues, regulations, and guidance governing the participations of faith-based organizations in individual DHS programs.
Article 25	**Non-supplanting Requirement** Recipients receiving federal financial assistance awards made under programs that prohibit supplanting by law must ensure that federal funds do not replace (supplant) funds that have been budgeted for the same purpose through non-federal sources.

Article 26	**Notice of Funding Opportunity Requirements** All the instructions, guidance, limitations, and other conditions set forth in the Notice of Funding Opportunity (NOFO) for this program are incorporated here by reference in the award terms and conditions. All recipients must comply with any such requirements set forth in the program NOFO.
Article 27	**Patents and Intellectual Property Rights** Recipients are subject to the Bayh-Dole Act, 35 U.S.C. § 200 et seq, unless otherwise provided by law. Recipients are subject to the specific requirements governing the development, reporting, and disposition of rights to inventions and patents resulting from federal financial assistance awards located at 37 C.F.R. Part 401 and the standard patent rights clause located at 37 C.F.R. § 401.14.
Article 28	**Procurement of Recovered Materials** States, political subdivisions of states, and their contractors must comply with Section 6002 of the Solid Waste Disposal Act, Pub. L. No. 89-272 (1965), (codified as amended by the Resource Conservation and Recovery Act, 42 U.S.C. § 6962.) The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 C.F.R. Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition.
Article 29	**Rehabilitation Act of 1973** Recipients must comply with the requirements of Section 504 of the Rehabilitation Act of 1973, Pub. L. No. 93-112 (1973), (codified as amended at 29 U.S.C. § 794,) which provides that no otherwise qualified handicapped individuals in the United States will, solely by reason of the handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.
Article 30	**Reporting of Matters Related to Recipient Integrity and Performance** If the total value of any currently active grants, cooperative agreements, and procurement contracts from all federal awarding agencies exceeds $10,000,000 for any period of time during the period of performance of this federal award, then the recipients must comply with the requirements set forth in the government-wide Award Term and Condition for Recipient Integrity and Performance Matters located at 2 C.F.R. Part 200, Appendix XII, the full text of which is incorporated here by reference in the award terms and conditions.
Article 31	**Reporting Subawards and Executive Compensation** Recipients are required to comply with the requirements set forth in the government-wide award term on Reporting Subawards and Executive Compensation located at 2 C.F.R. Part 170, Appendix A, the full text of which is incorporated here by reference in the award terms and conditions.

Article 32	**SAFECOM** Recipients receiving federal financial assistance awards made under programs that provide emergency communication equipment and its related activities must comply with the SAFECOM Guidance for Emergency Communication Grants, including provisions on technical standards that ensure and enhance interoperable communications.
Article 33	**Terrorist Financing** Recipients must comply with E.O. 13224 and U.S. laws that prohibit transactions with, and the provisions of resources and support to, individuals and organizations associated with terrorism. Recipients are legally responsible to ensure compliance with the Order and laws.
Article 34	**Trafficking Victims Protection Act of 2000 (TVPA)** Recipients must comply with the requirements of the government-wide financial assistance award term which implements Section 106(g) of the Trafficking Victims Protection Act of 2000 (TVPA), codified as amended at 22 U.S.C. § 7104. The award term is located at 2 C.F.R. § 175.15, the full text of which is incorporated here by reference.
Article 35	**Universal Identifier and System of Award Management (SAM)** Recipients are required to comply with the requirements set forth in the government-wide financial assistance award term regarding the System for Award Management and Universal Identifier Requirements located at 2 C.F.R. Part 25, Appendix A, the full text of which is incorporated here by reference.
Article 36	**USA Patriot Act of 2001** Recipients must comply with requirements of Section 817 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Pub. L. No. 107-56, which amends 18 U.S.C. §§ 175–175c.
Article 37	**Use of DHS Seal, Logo and Flags** Recipients must obtain permission from their DHS FAO prior to using the DHS seal(s), logos, crests or reproductions of flags or likenesses of DHS agency officials, including use of the United States Coast Guard seal, logo, crests or reproductions of flags or likenesses of Coast Guard officials.
Article 38	**Whistleblower Protection Act** Recipients must comply with the statutory requirements for whistleblower protections (if applicable) at 10 U.S.C § 2409, 41 U.S.C. § 4712, and 10 U.S.C. § 2324, 41 U.S.C. §§ 4304 and 4310.

Article 39	**Acceptance of Post Award Changes** In the event FEMA determines that changes are necessary to the award document after an award has been made, including changes to period of performance or terms and conditions, recipients will be notified of the changes in writing. Once notification has been made, any subsequent request for funds will indicate recipient acceptance of the changes to the award. Please call the FEMA/GMD Call Center at (866) 927-5646 or via e-mail to ASK-GMD@dhs.gov if you have any questions.
Article 40	**Prior Approval for Modification of Approved Budget** Before making any change to the DHS/FEMA approved budget for this award, you must request prior written approval from DHS/FEMA where required by 2 C.F.R. § 200.308. DHS/FEMA is also utilizing its discretion to impose an additional restriction under 2 C.F.R. § 200.308(e) regarding the transfer of funds among direct cost categories, programs, functions, or activities. Therefore, for awards with an approved budget where the Federal share is greater than the simplified acquisition threshold (currently $250,000), you may not transfer funds among direct cost categories, programs, functions, or activities without prior written approval from DHS/FEMA where the cumulative amount of such transfers exceeds or is expected to exceed ten percent (10%) of the total budget DHS/FEMA last approved. You must report any deviations from your DHS/FEMA approved budget in the first Federal Financial Report (SF-425) you submit following any budget deviation, regardless of whether the budget deviation requires prior written approval.
Article 41	**Disposition of Equipment Acquired Under the Federal Award** When original or replacement equipment acquired under this award by the recipient or its subrecipients is no longer needed for the original project or program or for other activities currently or previously supported by DHS/FEMA, you must request instructions from DHS/FEMA to make proper disposition of the equipment pursuant to 2 C.F.R. § 200.313.

Article 42	**Environmental Planning and Historic Preservation** DHS/FEMA funded activities that may require an EHP review are subject to FEMA's Environmental Planning and Historic Preservation (EHP) review process. This review does not address all Federal, state, and local requirements. Acceptance of Federal funding requires recipient to comply with all Federal, state and local laws. Failure to obtain all appropriate federal, state and local environmental permits and clearances may jeopardize Federal funding.DHS/FEMA is required to consider the potential impacts to natural and cultural resources of all projects funded by DHS/FEMA grant funds, through its EHP Review process, as mandated by the National Environmental Policy Act; National Historic Preservation Act of 1966, as amended; National Flood Insurance Program regulations; and, any other applicable laws and Executive Orders. To access the FEMA's Environmental and Historic Preservation (EHP) screening form and instructions go to the DHS/FEMA website at: https://www.fema.gov/media-library/assets/documents/90195. In order to initiate EHP review of your project(s), you must complete all relevant sections of this form and submit it to the Grant Programs Directorate (GPD) along with all other pertinent project information. Failure to provide requisite information could result in delays in the release of grant funds.If ground disturbing activities occur during construction, applicant will monitor ground disturbance, and if any potential archeological resources are discovered, applicant will immediately cease work in that area and notify the pass-through entity, if applicable, and DHS/FEMA.

Obligating document

1.Agreement No.	2. Amendment No.	3. Recipient No.	4. Type of Action	5. Control No.
EMW-2020-FG-00549	N/A	866000244	AWARD	WX03218N2020T

6. Recipient Name and Address	7. Issuing FEMA Office and Address	8. Payment Office and Address
CITY OF FLAGSTAFF 211 W ASPEN AVE FLAGSTAFF, AZ 86001	Grant Programs Directorate 500 C Street, S.W. Washington DC, 20528-7000 1-866-927-5646	FEMA, Financial Services Branch 500 C Street, S.W., Room 723 Washington DC, 20742

9. Name of Recipient Project Officer	9a. Phone No.	10. Name of FEMA Project Coordinator	10a. Phone No.
Stacey Brechler-Knaggs	9286995585	Assistance to Firefighters Grant Program	1-866-274-0960

11. Effective Date of This Action	12. Method of Payment	13. Assistance Arrangement	14. Performance Period / Budget Period
08/24/2020	OTHER - FEMA GO	COST SHARING	**Performance Period** 08/31/2020 to 08/30/2021 **Budget Period** 08/31/2020 to 08/30/2021

15. Description of Action a. (Indicate funding data for awards or financial changes)

Program Name Abbreviation	Assistance Listings No.	Accounting Data(ACCS Code)	Prior Total Award	Amount Awarded This Action + or (-)	Current Total Award	Cumulative Non-Federal Commitment
AFG	97.044	2020-FC-GB01 - P431-xxxx-4101-D	$0.00	$51,681.82	$51,681.82	$5,168.18
		Totals	$0.00	$51,681.82	$51,681.82	$5,168.18

b. To describe changes other than funding data or financial changes, attach schedule and check here:
N/A

~~16.FOR NON-DISASTER PROGRAMS: RECIPIENT IS REQUIRED TO SIGN AND RETURN THREE (3) COPIES OF THIS DOCUMENT TO FEMA (See Block 7 for address)~~
This field is not applicable for digitally signed grant agreements

17. RECIPIENT SIGNATORY OFFICIAL (Name and Title)	**DATE**
18. FEMA SIGNATORY OFFICAL (Name and Title) **Christopher Logan, Acting Assistant Administrator Grant Programs Directorate**	**DATE** **08/24/2020**

8. B.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Matt Kakert, IT Operations Manager
Co-Submitter:	CJ Perry
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Approval of Cooperative Purchase Contract: Cisco Security Enterprise Agreement with Advanced Network Management, Inc. in an amount not to exceed $294,655.29 (plus applicable taxes)

STAFF RECOMMENDED ACTION:

1. Approve a Cooperative Purchase Contract with Advanced Network Management, Inc. in an amount not to exceed $294,655.29 (plus applicable taxes) over a period of five (5) years under the 1 Government Procurement Alliance (1GPA) cooperative purchase contract 1GPA 19-07PV-01; and
2. Authorize the City Manager to execute the necessary documents.

Executive Summary:

- The recommended award of the Cooperative Purchase Contract (1GPA 19-07PV-01) will allow for continued use of the Cisco security systems, and provide more functionality than our existing licensing structure at an eventual cheaper annual price.
- The above mentioned include Cisco Identity Services Engine, Cisco AnyConnect, Cisco Umbrella, Cisco Firepower Threat Defense, Cisco Duo.
- This Cooperative Purchase Contract (1GPA 19-07PV-01) will incur an annual cost of $58,931.06 (plus applicable taxes) for a 5-year period.

Financial Impact:

This Cooperative Purchase Contract has a total cost not to exceed $294,655.29 (plus applicable taxes), in the form of annual fees cost of $58,931.06 (plus applicable taxes), over a period of five (5) years, effective on November 1st, 2020. The charges from this Cooperative Purchase Contract are funded the General Fund, Information Technology Section in account numbers 001-01-014-0044-1-4229 and 001-01-014-0042-1-4290.

Policy Impact:

No impact.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Provide Exceptional Service: Provide employees tools, training, and support.

Has There Been Previous Council Decision on This:

None.

Options and Alternatives:

Approve the cost and terms of the proposed Cooperative Purchase Contract; or Do not approve the cost and terms of the Cooperative Purchase Contract. The City will need to continue to pay for these systems on an annual contract, instead of a 5-year contract, paying the premium on year-to-year licenses.

Background/History:

The City of Flagstaff regularly utilizes State of Arizona cooperative purchase contracts to ensure the best pricing possible to keep services fiscally responsible. This Cooperative Purchase Contract locks in the best pricing possible for a consistent cost over a 5-year period, allowing for easier budget planning and cost savings each year.

Key Considerations:

This Cooperative Purchasing Contract (1GPA 19-07PV-01) allows for the best possible pricing locking in the best pricing possible for a consistent cost over a 5-year period, allowing for easier budget planning and cost savings each year. This also provides more functionality than our existing licensing and purchasing structure.

Expanded Financial Considerations:

This Cooperative Purchase Contract also allow us to better predict our annual expenditures as the price is set for 5 years. Another benefit of this contract will allow us to ask for no price increases each year due to general price increases of one year renewals (5-7% increase each year).

Community Benefits and Considerations:

None.

Community Involvement:

None.

Expanded Options and Alternatives:

None.

Attachments:

ANM Quote - Security EA
COOP Contract
1GPA COOP Contract Extension
1GPA Contract Offer & Acceptance
1GPA RFP with Contract Terms

Advanced Network Management, Inc
1365 North Scottsdale Road Suite 350
Scottsdale, AZ 85257

Joel Taylor
(602) 312-5308
joel.taylor@anm.com

City of Flagstaff
211 West Aspen Avenue
Flagstaff, AZ 86001
Contract Number: 19-07PV-01

CJ Perry
(928) 213-2821
cperry@flagstaffaz.gov

CoF SecurityEA

Quote #: QT-000025117 **September 22, 2020**

Part Number	Description	Start Date	End Date	Term(M)	Qty	List Price	Price	Extended Price
ELA2-M	**Cisco EA BUNDLE**	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2F-SEC-ANYCONN	Cisco EA 2.0 Choice - Security Suites- Anyconnect	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2SF-A-AC-APEX-10	Security EA 2.0 Choice AnyConnect Apex License 10pk	11/9/2020	11/8/2025	60	60	$ 2.55	$ 84.30	$ 5,058.00
SVS-EA2-ANYC-SUP-E	ENHANCED SUPPORT FOR ANYCONNECT WITH FTD ONLY	11/9/2020	11/8/2025	60	1	$ 22.95	$ 936.36	$ 936.36
E2F-SEC-DUO-ACS	Cisco Duo AccessSuite	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2SF-DUO-ACCESS	EA Choice - Duo Access Edition	11/9/2020	11/8/2025	60	625	$ 5.10	$ 275.40	$ 172,125.00
SVS-EA2-DUO-SUP-B	BASIC SUPPORT FOR DUO	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2F-SEC-ISE	Cisco EA 2.0 Choice - Security Suites- ISE	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2SF-I-ISE-ADM	Security EA 2.0 Choice ISE Device Admin TACACS License	11/9/2020	11/8/2025	60	2	$ 8,500.00	$ 4,675.00	$ 9,350.00
E2SF-I-ISE-APEX-10	Security EA 2.0 Choice ISE Apex License 10pk	11/9/2020	11/8/2025	60	60	$ 2.67	$ 88.01	$ 5,280.60
E2SF-I-ISE-BASE-10	Security EA 2.0 Choice ISE Base License 10pk	11/9/2020	11/8/2025	60	60	$ 44.52	$ 24.48	$ 1,468.80
E2SF-I-ISE-PLUS-10	Security EA 2.0 Choice ISE Plus License 10pk	11/9/2020	11/8/2025	60	60	$ 3.57	$ 104.23	$ 6,253.80
SVS-EA2-CISE-SUP-E	ENHANCED SUPPORT FOR IDENTITY SERVICES ENGINE	11/9/2020	11/8/2025	60	1	$ 105.34	$ 4,297.87	$ 4,297.87
E2F-SEC-NGFW	Cisco EA 2.0 Choice - Security Suites- NGFW	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2SF-F-FPR1010T	Sec EA 2.0 Choice FPR1010 Threat Defense Threat, Malware,URL	11/9/2020	11/8/2025	60	2	$ 40.73	$ 1,344.09	$ 2,688.18
E2SF-F-FPR2110T	Sec EA 2.0 Choice FPR2110 Threat Defense Threat, Malware,URL	11/9/2020	11/8/2025	60	2	$ 317.76	$ 10,486.08	$ 20,972.16
SVS-EA2-NGFW-SUP-E	ENHANCED SUPPORT FOR NEXT-GEN FIREWALL	11/9/2020	11/8/2025	60	1	$ 107.55	$ 4,388.04	$ 4,388.04
E2F-SEC-UMB	Cisco EA 2.0 - Security Suites- Umbrella	11/9/2020	11/8/2025	60	1	$ -	$ -	$ -
E2SF-U-DNS-ADV	Sec EA 2.0 Choice Umbrella DNS Advantage	11/9/2020	11/8/2025	60	600	$ 3.26	$ 89.76	$ 53,856.00
SVS-EA2-SIG-SUPT-E	Umbrella Support for DNS/SIG Packages - Enhanced	11/9/2020	11/8/2025	60	1	$ 195.60	$ 7,980.48	$ 7,980.48

Subscription Term of 60.0 Months - Automatically Renews For 12.0 Months - Billing Frequency = Annual Billing

Monthly	$	4,910.92
Annual	**$**	**58,931.06**
Total Contract	$	294,655.29

Sub-Total	**$**	**294,655.29**
Estimated Taxes	**$**	**27,052.30**
Shipping Costs	**$**	**-**
Grand Total	**$**	**321,707.59**

Terms and conditions
Quote valid for 30 days. ANM reserves the right to cancel quotes and/or orders in the event of pricing or other errors.
Taxes are estimated and will be invoiced based on actuals. NTTC required for non-taxable sales.
Additional handling and other fees may apply.
Expedited shipping is subject to an additional charge.
Quote is subject to the attached ANM Terms and Conditions. All software and/or hardware is subject to manufacturer terms and conditions.
Subscription fees are non-refundable and payment obligations are non-cancelable and non-negotiable, except where prohibited by law.

By signing below, I represent that I am permitted to sign for the above-named entity and hereby authorize ANM to order products and/or perform services in accordance with the terms and conditions of this quote.

Customer Signature Date

Customer Name (Printed) Title

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COOPERATIVE PURCHASE CONTRACT

Contract No. 2021-37

This Cooperative Purchase Contract is made and entered into this _____ day of _____, 20_____by and between the City of Flagstaff, Arizona, a political subdivision of the State of Arizona ("City") and Advanced Network Management Inc., a New Mexico Corporation, ("Contractor").

RECITALS:

A. Contractor has a 1 Government Procurement Alliance (1GPA) Cooperative Purchasing Agreement (#19-07PV-01) – procured by Paradise Valley Unified School District, Scottsdale, Arizona to supply materials and/or services ("Agency Contract"), which was awarded through a competitive and open procurement process; and

B. The City has authority to enter into a cooperative purchase contract with Contractor utilizing the Agency Contract.

AGREEMENT:

NOW THEREFORE, in consideration for the mutual promises contained herein, the parties agree as follows:

1. Materials and or Services Purchased: Contractor shall provide to City the materials and or services, as specified in the Purchase Order(s) and/or Scope of Work submitted by the City in accordance with the Agency Contract. General description of materials and or services being purchased:

Security Enterprise Agreement

2. Specific Requirements of City: Contractor shall comply with all specific purchase and delivery requirements and/or options of City, as specified in the Purchase Order(s) submitted to Contractor or *Exhibit A* attached hereto and incorporated by reference.

3. Payment: Payment to the Contractor for the materials and or services provided not to exceed three-hundred twenty one thousand seven hundred and seven dollars and fifty nine cents **($321,707.59) including other fees and taxes**; made in accordance with the price list and terms set forth in the Agency Contract.

4. Terms and Conditions of Agency Contract Apply: All provisions of the Agency Contract documents, including any amendments, are incorporated in and shall apply to this Contract as though fully set forth herein. The Agency Contract documents are set forth in *Exhibit B* attached hereto and incorporated by reference. Contractor is responsible for promptly notifying City in writing of any changes to the Agency Contract.

5. Certificates of Insurance: All insurance provisions of the Agency Contract shall apply, including any requirement to name the City as an additional insured. Prior to commencing performance under this Contract, Contractor shall furnish City with a copy of the current Certificate of Insurance required by the Agency Contract.

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6. Term: This Cooperative Purchase Contract shall commence upon execution by the parties and shall continue until expiration unless terminated sooner by the City for appropriations in writing.

7. Renewal: This Cooperative Purchase Contract shall be automatically renewed if the underlying Agency Contract is renewed, for the same renewal period, unless City provides advance written notice to Contractor of its intention to non-renew.

CONTRACTOR:

DocuSigned by:

By: lee lorn
CA490F2A3797439...

Title: Chief Revenue Officer

CITY OF FLAGSTAFF

By:_____

Title:_____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney's Office

DocuSign Envelope ID: BC10D9D7-D3E4-40B8-A982-3106967643ED

EXHIBIT A
SPECIFIC REQUIREMENTS OF CITY

Price: "Per Purchase Order" and "Scope of Work"

Specifications: "Per Purchase Order" and "Scope of Work"

Schedule of performance: "Per Purchase Order"

Delivery location "Per Purchase Order" and "Scope of Work"

Notices: All notices to City shall be sent to:

Brian Eilerts, MBA, CSSMBB
Senior Procurement Specialist
Purchasing Department
211 W. Aspen Ave.
Flagstaff, Arizona 86001
(928) 213-2275
Brian.Eilerts@flagstaffaz.gov

Attach: Certificate of Insurance

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EXHIBIT B
AGENCY CONTRACT

1GPA Cooperative Purchasing Agreement (#19-07PV-01) – procured by Paradise Valley Unified School District, Scottsdale, Arizona

1Government Procurement Alliance

Paradise Valley Unified School District

Contract Extension

May 18, 2020

Advanced Network Management, Inc.
1365 N. Scottsdale Road, Suite 350
Scottsdale, AZ 85257
Attn: Lee Loen (lee.loen@anm.com)

Re: Extension Agreement for Contract #19-07PV-01, Internal Connections (E-Rate Category 2 Eligible)

The above referenced contract is hereby mutually extended for an additional one (1) year period through July 1, 2021. This is the second year of a potential five-year agreement. **Please indicate your desire to extend by completing and emailing back the executed Contract Extension along with the following documentation:**

- ☐ Updated Certificate of Insurance (see terms and conditions of contract to ensure compliance)
- ☐ Proof of Licensing in good standing (if applicable)
- ☐ Updated Contact Information Sheet completed
- ☐ Updated Master Cost Form/Price Sheet (if applicable)
- ☐ Current SAM Verification

Please check the appropriate box regarding pricing:

☐ Our contract utilized firm-fixed pricing. We agree to hold the current prices until the next contract renewal date of 7/1/2021.

☑ Our contract utilized percentage off MSRP/Retail pricing. The current price lists/catalogs are still applicable and percent discounts remain the same until the next contract renewal date of 7/1/2021.

☐ We have provided new price lists/catalog for 1GPA's review. Please see the attached updates. *(Note: Percentage Discounts should remain the same per contract terms and conditions.)*

By signing this document, vendor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

In addition, please verify that your company is providing usage reports as per the terms of your contract. If you have any questions or concerns, please feel free to contact Christy Knorr by email: cknorr@1GPA.org.

Vendor Acceptance/Signature: RK	Date: 5/29/2020
Printed Name: Ryan Kober	
Title: Director of Sales	
1GPA Authorized Signature: Christy Knorr	
Printed Name: Christy Knorr	Date: 6/2/2020
Title: Vice President	
Paradise Valley Unified School District Authorized Signature:	
Title: Director of Purchasing	
Printed Name: Claudia Leon	Date: 6/22/2020

6. Responsiveness

A. Proposal and Acceptance Form, Page 5

OFFEROR'S PROPOSAL AND CONTRACT ACCEPTANCE

The Undersigned hereby certifies understanding and compliance with the requirements in the General Terms and Conditions. Offeror further agrees to furnish the material and/or service in compliance with all terms, conditions, specifications, and amendments in the solicitation and any written exceptions in the Proposal.

85-0427142 Federal Employer Identification Number	1365 N Scottsdale Rd. Ste 350 Address
Advanced Network Management, Inc Company Name	Scottsdale AZ 85257 City, State Zip
Lee Loen Printed Name	480-385-0600 Company Telephone Number
General Manager Title	Mary Calderwood Accounting / AP Contact Name
lee.loen@anm.com Primary Email (for Contract Inquiries)	accounting@anm.com Accounting / AP Email

Authorized Signature

The Contractor shall not commence any billable work or provide any material or service under this contract until Contractor receives a purchase order/contract from a 1GPA member. The Contractor agrees to comply with the requirements of submitting Usage Reports and Purchase Orders and/or Contracts to 1GPA. The contractor shall provide monthly or quarterly (arrangements to be made with 1GPA) reconciliation reports based on all contract activity to 1GPA. Contractor will be invoiced from these reports. Invoices are due upon receipt.

1GPA'S PROPOSAL AND CONTRACT ACCEPTANCE

The Proposal is hereby accepted:

The Contractor is now bound to sell the materials and/or services offered to and accepted by 1GPA in accordance with the solicitation, including all terms, conditions, specifications, amendments, etc.

This contract shall henceforth be referred to as 19-07PV- 01**, Internal Connections**

Awarded this 27th day of June 20 19

This contract shall be effective this 1st day of July 20 19

1GPA

Signature: Christy Knorr Date: 6.27.2019

Printed Name: Christy Knorr Title: Vice President

Approved By: Paradise Valley Unified School District

Signature: Date: 6.27.2019

Printed Name: Claudia Leon Title: Director of Purchasing

1GPA 19-07PV Internal Connections (E-Rate Category 2 Eligible) Page 5 of 50

The following is a Cooperative Solicitation eligible for E-rate, Category 2 with 1GPA Form 470 filed with USAC, released via Paradise Valley Unified School District acting as the lead agency for 1Government Procurement Alliance:

Request for Proposal #19-07PV
Internal Connections (E-Rate Category 2 Eligible)

Proposal Due Date and Time: May 7, 2019 at 1:00 PM Arizona Time

RFP Opening Location: Paradise Valley Unified School District – Lead Agency
15002 N. 32nd Street
Phoenix, Arizona 85032
See enclosed information for submittal instructions.

Electronic Submittal: Bonfire electronic submittals will be accepted until the due date and time.
See enclosed information for electronic submission instructions.

Final Deadline for Questions: April 30, 2019

In accordance with the Arizona procurement code and rules, Competitive Sealed Proposals for the materials or services specified will be received by the 1GPA lead agency, at the above specified location, until the time and date cited. Proposals received by the correct time and date shall be opened and the name of each Offeror will be publicly read. All other information contained in the Proposal shall remain confidential until award is made.

Solicitations shall be in the actual possession of the 1GPA lead agency on or prior to the time and date, and at the location indicated above. Late solicitations shall not be considered.

Solicitations must be submitted in a sealed envelope with the Request for Proposal number and the Offerors name and address clearly indicated on the envelope. Additional instructions for preparing a solicitation are provided herein. Offerors are strongly encouraged to carefully read the entire solicitation document.

Questions regarding this Request for Proposal should be directed to: Claudia Leon, Director of Purchasing
Email: clleon@pvschools.net
Phone: 602-449-2084

Claudia Leon

Claudia Leon, Director of Purchasing
Paradise Valley Unified School District (PVUSD)

Christy Knorr

Christy Knorr, Vice President
1Government Procurement Alliance (1GPA)

Solicitation Issuance Date: April 4, 2019

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DOCUMENTS REFERENCED

You may access a complete copy of the documents referenced within this solicitation at the following web addresses:

Arizona:

Arizona Revised Statutes (A.R.S.) is available at
http://www.azleg.state.az.us/ArizonaRevisedStatutes.asp

The Arizona School District Procurement Rules in the Arizona Administrative Code (A.A.C.) is available at
http://apps.azsos.gov/public_services/Title_07/7-02.pdf

All Other States:

For a full listing of Intergovernmental Purchasing Statutes by state, **Click Here** to be re-directed to 1GPA website available at:
http://1gpa.org/state-statutes/

Local Governments website (USA.gov): http://www.usa.gov/Agencies/Local_Government/Cities.shtml

Federal:

I.R.S. W-9 form (Request for Taxpayer I.D. Number) is available at
http://www.irs.gov/pub/irs-pdf/fw9.pdf

Education Department General Administrative Regulations (EDGAR), 2 C.F.R. §§ 200.318-326
https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/xml/CFR-2014-title2-vol1-part200-subpartD.xml

Federal Communications Commission (FCC)
www.fcc.gov

Universal Service Administrative Co. (USAC) and School and Libraries Division (SLD)
https://www.usac.org/sl/default.aspx

INTRODUCTION

Who are we?

1Government Procurement Alliance (1GPA), is a non-profit national governmental purchasing cooperative which allows public agencies to take advantage of existing contracts to purchase the goods and services they need from local and national vendors.

Eligible using members include school districts, charter schools, universities, colleges, cities, towns, municipalities, counties, states, local governments, federal government, Native American communities, fire districts, and any other political subdivision.

What do we do?

We provide contracts for a broad range of commodities and services that are available to the Cooperative eligible members through a government purchasing cooperative or Interlocal agreement. All of our contracts are competitively procured and awarded in compliance with state statutes, procurement laws and regulations.

Contracts are approved and awarded by 1GPA's lead governmental entities and are only available for use and benefit of all entities complying with state procurement laws and regulations.

Why are we preferred?

The Cooperative's pooled purchasing power means public and private schools, cities, counties and state agencies, non-profits, as well as colleges, universities and Native American communities **can save actual budget dollars** on our contracts utilizing best business practices.

Our agency is dedicated to negotiating the best contracts with the best firms locally or nationally to ensure our members receive quality products and services at the best price.

We service our members by providing in-house knowledge of public procurement practices in conjunction with quality business practices to mainstream the purchasing process for large and complex solicitations that can take up to 6 to 12 months for our members on their own.

We pride our firm on our commitment to compliance, innovation, and collaboration.

As a government purchasing cooperative, 1GPA offers its Members access to a broad range of vendors whose goods and services have been competitively procured by 1GPA, in coordination with its governmental lead agencies. When conducting competitive solicitations, 1GPA takes all steps necessary to comply with federal, state and local procurement laws applicable to both the Lead Agency identified in the solicitation, as well as to 1GPA. Each Member must make its own independent determination as to (1) whether the Member may, under laws applicable to the Member, lawfully purchase particular goods or services through purchasing cooperatives, and (2) whether the Member must comply with any additional procedures required under laws applicable to the Member prior to completing a cooperative purchase. 1GPA makes no representations or warranties to its Members, or to any vendors, regarding such matters.

OFFEROR'S PROPOSAL AND CONTRACT ACCEPTANCE

The Undersigned hereby certifies understanding and compliance with the requirements in the General Terms and Conditions. Offeror further agrees to furnish the material and/or service in compliance with all terms, conditions, specifications, and amendments in the solicitation and any written exceptions in the Proposal.

Federal Employer Identification Number	Address
Company Name	City, State Zip
Printed Name	Company Telephone Number
Title	Accounting / AP Contact Name
Primary Email (for Contract Inquiries)	Accounting / AP Email

Authorized Signature

The Contractor shall not commence any billable work or provide any material or service under this contract until Contractor receives a purchase order/contract from a 1GPA member. The Contractor agrees to comply with the requirements of submitting Usage Reports and Purchase Orders and/or Contracts to 1GPA. The contractor shall provide monthly or quarterly (arrangements to be made with 1GPA) reconciliation reports based on all contract activity to 1GPA. Contractor will be invoiced from these reports. Invoices are due upon receipt.

1GPA'S PROPOSAL AND CONTRACT ACCEPTANCE

The Proposal is hereby accepted:

The Contractor is now bound to sell the materials and/or services offered to and accepted by 1GPA in accordance with the solicitation, including all terms, conditions, specifications, amendments, etc.

This contract shall henceforth be referred to as 19-07PV- , Internal Connections

Awarded this _____ day of _____ 20___

This contract shall be effective this _____day of _____ 20___

1GPA

Signature: _____ Date: _____

Printed Name: _____Title: _____

Approved By: Paradise Valley Unified School District

Signature: _____ Date: _____

Printed Name: _____ Title: _____

DEFINITION OF TERMS

A complete list of definitions can be in the Arizona Administrative Code R7-2-1001. The terms listed below are defined as follows:

"Attachment" means any item the Solicitation requires the Offeror to submit as part of the Proposal.

"Contract" means the combination of the Solicitation, including the Special Instructions to Offerors, Special Terms and Conditions, and the Specifications and Statement or Scope of Work/Services; the Proposal and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments, and Member purchase orders.

"*Contract Amendment"* means a written document signed by the 1GPA that is issued for the purpose of making changes in the Contract.

"Contractor" means any person who has a Contract with the 1GPA.

"Cost" means the aggregate cost of all materials and services, including labor performed by force account.

"Days" means calendar days and shall be computed pursuant to A.R.S. 1-243.

"Exhibit" means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the solicitation.

"Governing Body" means any group comprised of elected or appointed officials, such as School District Governing Boards, City Councils, County Supervisors, Board of Regents, etc., which has the authority to make fiduciary decisions for a Member organization.

"Gratuity" means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.

"*Materials"* means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.

"Member" means the non-profit entities, public and private schools (including independent school districts and charter schools), education service centers, colleges, universities, municipalities, counties, political subdivisions, and other governmental entities and agencies throughout the United States that have followed local governing authority allowing them to utilize contracting vehicles procured and administered by 1GPA.

"Offeror" means a person submitting a Proposal in response to a Request for Proposals

"Person" means any corporation, business, individual, union, committee, club, other organization or group of individuals.

"Purchase Order or PO" means the agreed-upon purchase order or other form of binding contract document between the 1GPA member and the Vendor which is used in making a purchase under a 1GPA contract.

"Responsible Bidder or Offeror" means a person who at the time of contract award has the capability to perform the Contract requirements with the integrity and reliability which will assure good faith performance.

"Responsive Bidder or Offeror" means a person who submits a bid or proposal which conforms in all material respects to the Invitation for Bids or Request for Proposals.

"Services" means the furnishing of labor, time or effort by a contractor or subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.

"Solicitation" means an Invitation for Bids ("IFB"), a Request for Proposal ("RFP"), or a Request for Qualification ("RFQ").

"Subcontract" means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.

UNIFORM INSTRUCTIONS TO OFFERORS

1. **Inquiries**

A. **Duty to Examine** - It is the responsibility of each Offeror to examine the entire Solicitation, seek clarification in writing, and check its Proposal for accuracy before submitting the Proposal. Lack of care in preparing a Proposal shall not be grounds for withdrawing the Proposal after the Proposal due date and time nor shall it give rise to any Contract claim.

B. **Solicitation Contact Person** - Any inquiry related to a Solicitation, including any requests for or inquiries regarding standards referenced in the Solicitation, shall be directed solely to the Solicitation contact person.

C. **Submission of Inquiries** - Questions and/or clarifications concerning this RFP will be accepted in writing through April 30, 2019 by 5:00 p.m. Request may be transmitted via facsimile or email. Written responses to all written inquiries will be provided and distributed to all recipients of this RFP. Responses and addenda to this RFP, if necessary, are scheduled to be issued by May 1, 2019 by 5:00 p.m. No Offeror may rely upon oral responses made by any 1GPA employee or any representative. Questions and/or clarifications concerning this RFP shall be directed to Claudia Leon, Director of Purchasing, clleon@pvschools.net.

D. **Solicitation Amendments/Addenda** - The Solicitation shall only be modified by a Solicitation Amendment or Addendum. 1GPA will not be responsible for Offerors adjusting their proposal based on oral instructions by any member of 1GPA or lead District Personnel.

E. **Pre-Proposal Conference** - If a Pre-Proposal Conference has been scheduled under this Solicitation, the date, time, and location shall appear on the Solicitation cover sheet or elsewhere in the Solicitation. An Offeror should raise any questions it may have about the Solicitation or the procurement at that time. An Offeror may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the Solicitation shall be answered solely through a written Solicitation Amendment or Addendum.

F. **Proposal Opening:** Proposals shall be opened on the date and time, and at the place designated on the cover page of this document, unless amended in writing by 1GPA. The name of each Offeror shall be read at this time. All Offers and any modifications and other information received in response to the Request for Proposals shall be shown only to authorized 1GPA personnel having a legitimate interest in the evaluation. After contract award, the Proposals and evaluation document shall be open for public inspection.

G. **Time Stamp**: Proposals will be time stamped when received. They will be accepted up to but no later than the time indicated in the Request for Proposal (RFP). Proposals received after the time stated in the RFP will not be considered and will remain unopened. Offeror assumes the risk of any delay in the U.S. Mail. Whether sent by mail or by means of personal delivery, the Offeror assumes responsibility for having his Proposal deposited on time at the place specified.

H. **Persons with Disabilities** - Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the appropriate Solicitation contact person. Requests shall be made as early as possible to allow time to arrange the accommodation.

2. **Proposal Preparation**

A. **Forms** - A Proposal shall be submitted either on the forms provided in this Solicitation or their substantial equivalent. Any substitute document for the forms provided in this Solicitation will be legible and contain the same information requested on the form.

B. **Typed or Ink Corrections** - The Proposal should be typed or in ink. Erasures, interlineations or other modifications in the Proposal should be initialed in ink by the person signing the Proposal. Modifications shall not be permitted after Proposals have been opened except as otherwise provided under R7-2-1030.

C. **Signature(s) on Proposals** - The Proposal and Contract Acceptance document must be submitted with an original ink signature by the person authorized to sign the Proposal. Failure to sign the Proposal and Contract Acceptance document may result in rejection of the Proposal.

D. **Exceptions to Terms and Conditions** - All exceptions included with the Proposal shall be submitted in a clearly identified separate section of the Proposal in which the Offeror clearly identifies the specific paragraphs of the Solicitation where the

exceptions occur. Any exceptions not included in such a section shall be without force and effect in any resulting Contract unless such exception is specifically referenced by the Procurement Officer in a written statement. The Offeror's preprinted or standard terms will not be considered as a part of any resulting Contract. All exceptions that are contained in the Proposal may negatively affect the solicitation evaluation based on the evaluation criteria as stated in the Solicitation or result in rejection of the Proposal. No exceptions included in the Proposal shall become part of the resulting Contract unless agreed and accepted to by 1GPA.

E. **Subcontracts** - Offeror shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities in the Proposal.

F. **Cost of Proposal Preparation** - 1GPA will not reimburse any Offeror the cost of responding to a Solicitation.

G. **Solicitation Amendments/Addenda** - Unless otherwise stated in the Solicitation, each Solicitation Amendment or Addendum shall be acknowledged by the person signing the Proposal. Failure to acknowledge a material Solicitation Amendment or Addendum or to follow the instructions for acknowledgement of the Solicitation Amendment/Addendum may result in rejection of the Proposal.

H. **Provision of Tax Identification Numbers** - Offerors are required to provide their Federal Tax Identification number, if applicable, in the space provided on the Proposal and Acceptance Form and provide the tax rate and amount, if applicable, on the Proposal Cost Sheet.

I. **Taxes**:

1. **Federal Excise Tax** - Arizona School Districts/Public Entities are exempt from certain Federal Excise Tax on manufactured goods.

2. **Transaction Privilege Taxes** - Arizona School Districts/Public Entities are subject to all applicable state and local transaction privilege taxes. Transaction Privilege Taxes in Arizona include State, County and City taxes.

3. **Property Taxes** - Arizona School Districts/Public Entities do not pay state property taxes.

4. **Taxes on Shipping** - Transaction privilege tax may not be collected on delivery charges to the Member's location if separately stated on the invoice.

5. **Payment of Taxes** – Member is responsible for payment for all taxes listed on the invoice. Contractor is responsible for collection such taxes and shall forward all taxes to the proper revenue office.

All Other States - Other states may have different tax requirements and laws. The tax laws in each state shall be followed by the awarded vendor. It is the responsibility of the vendor to be familiar with the laws and statutes in the state in which they are conducting business.

J. **Disclosure** - If the firm, business, or person submitting this Proposal has been debarred, suspended or otherwise lawfully precluded from participating in any public procurement activity, including being disapproved as a subcontractor with any Federal, state, or local government, or if any such preclusion from participation from any public procurement activity is currently pending, the Offeror shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Proposal. The Offeror shall include a letter with its Proposal setting forth the name and address of the governmental unit, the effective date of this suspension or debarment, the duration of the suspension or debarment, and the relevant circumstances relating the suspension or debarment. If suspension or debarment is currently pending, a detailed description of all relevant circumstances including the details enumerated above must be provided.

K. **Solicitation Order of Precedence** - In the event of a conflict in the provisions of this Solicitation and any subsequent contracts, the following shall prevail in the order set forth below:

1. Addenda/Amendments;
2. Special Instructions, Terms and Conditions;

3. Uniform General Terms and Conditions;
4. Scope of Work/Specifications;
5. Attachments;
6. Exhibits;
7. Uniform Instructions to Offerors.

L. **Delivery** - Unless stated otherwise in the Solicitation, all prices shall be F.O.B. Destination and shall include all delivery and unloading at the destination(s). Contractor shall provide delivery of goods, and/or performance of services in accordance with the needs of the 1GPA Member. Products delivered must conform to the products listed under this contract and may not be substituted with nonconforming products. Contractor agrees to pay for and arrange for return of goods that are defective.

3. **Submission of Proposal**

A. **Sealed Envelope or Package** - Each Proposal shall be submitted to the location identified in this Solicitation, in a sealed envelope or package that identifies its contents as a Proposal and the Solicitation number to which it responds. The appropriate Solicitation number should be plainly marked on the outside of the envelope or package.

B. **Electronic Submission** - If determined by 1GPA that electronic submission of Proposals is advantageous, 1GPA will include the electronic submission requirements as well as if the electronic submission is mandatory or optional in the Special Instructions, Terms and Conditions section of the solicitation. Unless otherwise instructed, a facsimile or electronically submitted Proposal shall be rejected.

C. **Proposal Amendment or Withdrawal** - An Offeror may modify or withdraw a Proposal in writing at any time before Proposal opening if the modification or withdrawal is received before the Proposal due date and time at the location designated in the Solicitation. A Proposal may not be amended or withdrawn after the Proposal due date and time except as otherwise provided under R7-2-1044.

D. **Public Record/Confidentiality** - Under applicable law, all Proposals submitted and opened are public records and must be retained by 1GPA. Proposals shall be open to public inspection after Contract award, except for such Proposals deemed to be confidential by 1GPA pursuant to R7-2-1006.

If Offeror believes that its proposal contains trade secrets or other proprietary data not be disclosed as otherwise required by A.R.S. §39-121, a statement advising 1GPA of this fact shall accompany the Proposal, and the information shall be so identified wherever it appears. Requests to deem the entire Proposal as confidential, contract terms and conditions, pricing, and information generally available to the public are not considered confidential information under this Section.

E. **Certification** - By signing the Proposal and Acceptance form or other official contract form, the Offeror certifies that:

1. The prices have been arrived at independently, without consultation, communication or agreement, for the purpose of restricting competition, as to any matter relating to such prices with any other Offeror or with any competitor; the prices which have been quoted have not been nor will not be disclosed directly or indirectly to any other Offeror or to any competitor; nor attempt has been made or will be made to induce any person or firm to submit or not to submit, a Proposal for the purpose of restricting competition. It did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Proposal; and

2. It does not discriminate against any employee, applicant for employment or person to whom it provides services because of race, color, religion, sex, national origin, or disability, and that it complies with all applicable federal, state, and local laws and executive orders regarding employment, Federal Executive Order 11246 and A.R.S. §41-1461 through 1465; and

3. The Offeror warrants that it and all proposed subcontracts will maintain compliance with Federal Immigration and Nationality Act (FINA), ARS § 41-4401 and § 23-214, and all other Federal immigration laws and regulations related to the immigration status of its employees which requires compliance with Federal immigration laws by employers, contractors and subcontractors in accordance with the E-Verify Employee Eligibility Verification Program; and

4. The Offeror has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted Proposal. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the Proposal. Signing the Proposal with a false statement shall void the Proposal, any resulting contract and may be subject to legal remedies provided by law; and

5. By submission of this Proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency; and

6. By submission of this Proposal, that no Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a Cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal Contract, grant, loan or cooperative agreement; and

7. In accordance with ARS § 35-392, the Offeror is in compliance and shall remain in compliance with the Export Administration Act.

8. The Offeror warrants that it and all proposed subcontracts are not currently engaged in, and agrees for the duration of this Contract/Agreement that it will not engage in, a boycott of Israel, as that term is defined in A.R.S. § 35-393 and Texas Gov't Code 2270.002.

4. **Additional Information**

A. **Unit Price Prevails** - Where applicable, in the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.

B. **Taxes** - The amount of any applicable transaction privilege or use tax of a political subdivision of the state of Arizona is not a factor in determining the most advantageous proposal.

C. **Late Proposals, Modifications or Withdrawals** - A Proposal, Modification or Withdrawal submitted after the exact Proposal due date and time shall not be considered except under the circumstances set forth in R7-2-1044.

D. **Disqualification** - The Proposal of an Offeror who is currently debarred, suspended or otherwise lawfully prohibited from any public procurement activity may be rejected.

E. **Proposal Acceptance Period** - An Offeror submitting a Proposal under this Solicitation shall hold its Proposal open for the number of days from the due date that is stated in the Solicitation. If the Solicitation does not specifically state a number of days for the Proposal acceptance, the number of days shall be ninety (90).

F. **Payment** - Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment within thirty (30) days.

G. **Waiver and Rejection Rights** - Notwithstanding any other provision of the solicitation, 1GPA reserves the right to:

1. Waive any minor informality;
2. Reject any and all Proposals or portions thereof; or
3. Cancel the Solicitation.

5. **Award**

A. **Number or Types of Awards** - Where applicable, the 1GPA reserves the right to make multiple awards or to award a Contract by individual line item, by a group of line items, by an incremental award, by region, or by location, as indicated

within the Special Instructions, Terms and Conditions. The award will be limited to the least number of Offerors that 1GPA determines is necessary to meet the needs of its Members.

B. **Contract Inception** - A Proposal does not constitute a Contract nor does it confer any rights on the Offeror to the award of a Contract. A Contract is not created until the Proposal is accepted in writing by 1GPA with an authorized signature on the Proposal and Acceptance form. A letter or other notice of award or of the intent to award shall not constitute acceptance of the Proposal.

C. **Effective Date** - The effective date of this Contract shall be the date that 1GPA signs the Proposal and Acceptance form or other official contract form, unless another date is specifically stated in the Contract.

6. **Protests**

A protest shall comply with and be resolved according to Arizona Department of Education School District Procurement Code Rule A.A.C. R7-2-1141 through R7-2-1153. Protests shall be in writing and be filed with the lead agency representative, Claudia Leon, Director of Purchasing.

A. Protest shall include:

1. The name, addresses, and telephone number of the interested party;
2. The signature of the interested party or the interested party's representative;
3. Identification of the purchasing agency and the Solicitation or Contract number;
4. A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
5. The form of relief requested.
6. The interested party shall supply promptly any other information requested by 1GPA or lead agency.

B. Protests based upon alleged improprieties in a solicitation that are apparent before the due date and time for responses to the Solicitation, shall be filed before the due date and time for responses to the Solicitation.

C. In cases other than those covered in section B of the section, the interested party shall file the protest within 10 days after 1GPA or lead agency makes the procurement file available for public inspection.

D. The interested party may file a written request for an extension of the time limit for protest filing. The written request for an extension shall be filed with the 1GPA Representative before the expiration of the time limit and shall set forth good cause as to the specific action or inaction of 1GPA that resulted in the interested party being unable to file the protest within the 10 days. The 1GPA representative shall approve or deny the request in writing, state the reasons for the determination, and, if an extension is granted, set forth a new date for submission of the filing.

UNIFORM TERMS AND CONDITIONS

1. **Cooperative Purchasing**

A. **Cooperative Purchasing** - This contract is based on the need for 1GPA to provide the economic benefits of volume purchasing and reduction in administrative costs through cooperative purchasing to schools and other Members. Although contractors may restrict sales to certain public units (e.g. state agencies, local government units), any contract that prohibits sales from being made to public school districts may not be considered. Sales without restriction to any members are preferred.

B. **Cooperative Purchasing Agreements** - Cooperative Purchasing Agreements between 1GPA and its Members have been established under all procurement laws.

C. **Cooperative Purchasing Contracts** - Offeror agrees all prices, terms, warranties, and benefits granted by Offeror to Members through this contract are comparable to or better than the equivalent terms offered by Offeror to any present customer meeting the same qualifications or requirements.

Nothing in this solicitation is intended to establish a most favored customer relationship between 1GPA and contractor. Contractor may respond to any solicitation without regard to this contract. If contractor offers lower prices to any of its other customers, it may lower its prices to 1GPA at the same time by written notice.

D. **Non-Exclusive Contract** - Any contract resulting from this Solicitation shall be awarded with the understanding and agreement that it is for the sole convenience of 1GPA members. 1GPA and its membership reserve the right to obtain like goods and services from other sources.

E. **Lead Agency** - A Lead Agency is a well-established and well respected government agency who facilitates the competitive bidding process by being a part of the process from start to finish. The Lead Agency also provides Board Approval for the award of contracts resulting from each Solicitation. The Lead Agency for this RFP is Paradise Valley Unified School District.

2. **Contract Interpretation**

A. **Application of Law** - The Arizona Procurement Code, Title 41, Chapter 23, applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona School District Procurement Code, Arizona Revised Statutes (A.R.S.) 15-213, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 7, Chapter 2, Articles 10 and 11.

For all other states this procurement shall be governed by, construed, and enforced in accordance with the laws of each state in which 1GPA is conducting business under this contract. It is the responsibility of the awarded vendor and member to ensure this solicitation and ensuing contract complies with the State laws in which they are conducting business regarding use of a cooperative contract.

B. **Implied Contract Terms** - Each Provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.

C. **Relationship of Parties** - Vendors receiving contracts under this solicitation are independent contractors. Neither party to this contract, nor any Member, shall be deemed to be the employee or agent of the other party to the contract.

D. **Severability** - The provisions of this Contract are severable to the extent that any provision or application held to be invalid shall not affect any other provision or application of the Contract.

E. **No Parol Evidence** - This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document.

F. **No Waiver** - Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3. **Contract Administration and Operation**

A. **Records** - Under A.R.S. § 41-2548, the Contractor shall retain and shall contractually require each Subcontractor to retain all data and other records ("records") relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract.

B. **Audit** - At reasonable times during the term of this Contract and five (5) years thereafter, the Contractor's or any Subcontractor's books and records shall be subject to audit by 1GPA or Member and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.

C. **Inspection and Testing** - The Contractor agrees to permit access to its facilities, Subcontractor facilities and the Contractor's processes for producing the materials, at reasonable time for inspection of the materials and services covered under this Contract. 1GPA or its Members shall also have the right to test at its own cost the materials to be supplied under this Contract. Neither inspection at the Contractor's facilities nor testing shall constitute final acceptance of the materials. If 1GPA or Member determines non-compliance of the materials, the Contractor shall be responsible for the payment of all costs incurred by 1GPA or Member for testing and inspection.

D. **Notices** - Notices to the Contractor required by this Contract shall be made by 1GPA to the person indicated on the Proposal and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to 1GPA required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation cover sheet, unless otherwise stated in the Contract. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notices shall be given by written notice and an Amendment to the Contract shall not be necessary.

E. **Advertising and Promotion of Contract** - Offeror shall not advertise or publish information concerning this solicitation prior to an award being announced by 1GPA. After award, contractor(s) may advertise the availability of products and services to Member. Any promotional marketing materials using the 1GPA logo must be approved by 1GPA in advance.

F. **Administration Fee** - 1GPA implements an Administrative Fee of .01 (1%). For this contract only, the Administrative Fee shall **NOT** be included in the offeror's net pricing. E-Rate eligible purchases do not reimburse applicants for administrative fees and it is the responsibility of the contractor to invoice a separate line item (non-eligible item) to the member agency. The Administrative Fee shall be paid by the Contractor to 1GPA. 1GPA will not bill the Member directly for administrative fees unless specifically requested by the Member. The value of trade-ins or rebates shall not affect the amount of the administration fee paid to 1GPA.

G. **Usage Reports –** The Usage Report will be the established communication between the awarded contractor and 1GPA of all contract activity. The contractor shall provide contract Usage Reports to 1GPA on a regular schedule as established by the contractor. 1GPA will accept Monthly or Quarterly reporting arrangements which shall be made at the time of contract award.

H. **Submission of Usage Reports** – Within ten (10) days following the end of the arranged reporting schedule, the contractor shall submit their Usage Report electronically via email to: cknorr@1gpa.org.

I. **Purchase Orders/Contracts -** All purchase orders and/or contracts issued to the contractor in reference to 1GPA shall be submitted at the same time as the Usage Report. All purchase orders and/or contracts should be zipped in a single file and submitted as an attachment in the same email as the usage report in which they are referenced. 1GPA is audited on an annual basis & documentation is necessary for compliance. Failure to submit purchase orders and/or contracts may result in contract cancellation.

J. **Invoicing of Administration Fee –** Upon receipt of contractor's Usage Report, 1GPA will generate an invoice which is calculated as: Administrative Fee (1%) multiplied by the Total Sales Transactions as stated in the Usage Report. Contractor's failure to remit administrative fees in a timely manner consistent with the contract's requirements may result in 1GPA exercising any recourse available under the contract or as provided for by law.

Administrative Fees shall be paid to "1GPA" and mailed to:

1910 W. Washington Street
Phoenix, AZ 85009

4. **Costs and Payments**

A. **Ordering Procedures** - Purchase Orders are issued by 1GPA members to the Vendor according to this Contract. Members and Vendors must send Purchase Orders to 1GPA at cknorr@1gpa.org.

B. **Billings** - Contractor shall invoice Member after delivery of goods and/or services. All invoices shall list the applicable Member purchase order and 1GPA contract number. Contractor will invoice Member directly.

C. **Payment** - Payment terms are Net thirty (30) from receipt of Contractor's invoice

D. **Progress Payments** - 1GPA will permit Members to make progress payments under the following conditions:
1. Member and Contractor agree to the terms of the progress payments prior to issuing a purchase order
2. Purchase order describes the amounts or percentages and the dates or frequency of payments
3. Payments are made in full compliance with Member's local governing entity rules

E. **Tax Indemnification** - Contractor and all Subcontractors shall pay all federal, state, and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all Subcontractors to hold the Member harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

F. **IRS W-9** - In order to receive payment under any resulting Contract, Contractor shall have a current I.R.S. W-9 Form on file with each Member.

G. **Availability of Funds for the Next Fiscal Year** - Funds may not presently be available for performance under this Contract beyond the current fiscal year. No legal liability on the part of the Member for any payment that may arise under this Contract beyond the current fiscal year until funds are made available for performance of the Contract. It is the responsibility of the Member to make reasonable efforts to secure such funds.

5. **Contract Changes**

A. **Amendments** - The Contract may be modified only through a Contract Amendment within the scope of the Contract signed by the Procurement Officer. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by an unauthorized employee or made unilaterally by the Contractor are violations of the Contract and or applicable law. Such changes, including unauthorized written Contract Amendments, shall be void and without effect, and the Contractor shall not be entitled to any claim and this Contract based on those changes.

B. **Subcontracts** - The Contractor shall not enter into any Subcontract under this Contract without the advance written approval of the Procurement Officer. The Subcontract shall incorporate by reference the terms and conditions of this Contract.

C. **Assignment and Delegation** - Contractor shall not assign any right or interest nor delegate any duty under this Contract without the prior written approval of 1GPA. 1GPA shall not unreasonably withhold approval.

D. **Novation** - If contractor sells or transfers all assets or the entire portion of the assets used to perform this contract, a successor in interest must guarantee to perform all obligations under this contract. 1GPA reserves the right to accept or reject any new party. A simple change of name agreement will not change the contractual obligations of contractor.

E. **Contract Placed on Hold** - 1GPA shall have the ability to place a contract on hold, if it is deemed necessary to address ongoing problems with an awarded contract. Details of the decision to place the contract on hold shall be provided in a written deficiency notice. A reasonable amount of time shall be provided to contractor to address issues in the written deficiency notice.

6. **Risk and Liability**

A. **Risk of Loss** - Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.

B. **General Indemnification** - To the extent permitted by law, 1GPA and its Members shall be indemnified and held harmless by the Contractor for its vicarious liability as result of entering into this Contract. Each party to this Contract is responsible for its own negligence.

C. **Indemnification - Patent and Copyright** - To the extent permitted by law, Contractor shall indemnify and hold harmless 1GPA and its Members against any liability, including costs and expenses, for infringement of any patent, trademark, or copyright arising out of Contract performance or use by the 1GPA or Member of materials furnished or work performed under this Contract. 1GPA or Member shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph.

D. **Force Majeure**

1. Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "*force majeure"* means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injections-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

2. Force Majeure shall <u>not</u> include the following occurrences:

   a. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market; or
   b. Late performance by a Subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or
   c. Inability of either the Contractor or any Subcontractor to acquire or maintain any required insurance, bonds, licenses, or permits.

3. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt, and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

4. Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

7. **Warranties**

A. **Liens** - The Contractor warrants that the materials supplied under this Contract are free of liens.

B. **Quality** - Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the School District/Public Entity of the materials or services, they shall be:

1. A quality to pass without objection in the trade under the Contract description;

2. Fit for the intended purposes for which the materials or services are used;

3. Within the variations permitted by the Contract and are of even kind, quality, and quality within each unit and among all units;

4. Adequately contained, packaged and marked as the Contract may require; and

5. Conform to the written promises or affirmations of fact made by the Contractor.

C. **Fitness** - Contractor warrants that any material or service supplied to 1GPA or its Members shall fully conform to all requirements of the contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.

D. **Inspection/Testing** - The warranties set forth in this section shall not be affected by inspection or testing of, or payment for the materials or services by 1GPA Members.

E. **Compliance with Applicable Laws** - The materials and services supplied under this Contract shall comply with all applicable federal, state and local laws, and the Contractor shall maintain all applicable licenses and permits.

F. **Survival of Rights and Obligations after Contract Expiration or Termination**

1. Contractor's Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration of termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, 1GPA and its Members are not subject to or barred by any limitations of actions prescribed in A.R.S. Title 12, Chapter 5.

2. Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Procurement Officer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

8. **Contractual Remedies**

A. **Right to Assurance** - If 1GPA in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, 1GPA may demand in writing that the Contractor give a written assurance of intent or ability to perform. Failure by the Contractor to provide written assurance within the number of days specified in the demand may, at 1GPA's option, be the basis for terminating the Contract under the Uniform General Terms and Conditions.

B. **Nonconforming Tender** - Materials supplied under this Contract shall fully comply with the Contract. The delivery of materials or a portion of the materials in an installment that do not fully comply constitutes a breach of Contract. On delivery of nonconforming materials, 1GPA may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.

C. **Right of Offset** - 1GPA and its Members shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred or damages assessed by 1GPA or its Members concerning the Contractor's nonconforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform General Terms and Conditions.

9. **Contract Termination**

A. **Cancellation for Conflict of Interest** - Pursuant to A.R.S. 38-511 1GPA may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting, or creating the Contract on behalf of 1GPA is, or becomes at any time while the Contract or an extension the Contract is in effect, an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time.

B. **Gratuities** - 1GPA may terminate this Contract if it is determined that gratuities were offered or given by the Contractor or a representative of the Contractor to any officer or employee of 1GPA for the purpose of influencing the outcome of the procurement or securing the Contract, an Amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about Contract performance.

C. **Suspension or Debarment** - 1GPA may, by written notice to the Contractor, immediately terminate this Contract if 1GPA determines that the Contractor has been disbarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a Subcontractor of any public procurement unit or other governmental body.

D. **Termination for Convenience** - 1GPA reserves the right to terminate the Contract, in whole or in part at any time, when in the best interests of its Members without penalty recourse. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed, and materials accepted before the effective date of the termination.

E. **Cancellation for Non-Performance or Contractor Deficiency** - 1GPA may terminate any contract if Members have not used the contract, or if purchase volume is determined to be "low volume" in any 12-month period. 1GPA reserves the right to cancel the whole or any part of this contract due to failure by contractor to carry out any obligation, term or condition of the contract. 1GPA may issue a written deficiency notice to contractor for acting or failing to act in any of the following:

1. Providing material that does not meet the specifications of the contract;
2. Providing work and/or material that was not awarded under the contract;
3. Failing to adequately perform the services set forth in the scope of work and specifications;
4. Failing to complete required work or furnish required materials/product within a reasonable amount of time;
5. Failing to make progress in performance of the contract and/or giving 1GPA reason to believe that the contractor will not or cannot perform the requirements of the contract; and or
6. Performing work or providing services under the contract prior to receiving a 1GPA reviewed purchase order for such work.

Upon receipt of a written deficiency notice, contractor shall have ten (10) days to provide a satisfactory response to 1GPA. Failure to adequately address all issues of concern may result in contract cancellation. Upon cancellation under this paragraph, all goods, materials, work, documents, data and reports prepared by contractor under the contract shall become the property of the Member on demand.

F. **Contractor Cancellation** - Contractor may cancel this contract at any time upon thirty (30) days prior written notice to 1GPA or on the yearly anniversary of the contract. Termination shall have no effect on projects in progress at the time the notice of cancellation is received by 1GPA.

G. **Continuation of Performance through Termination** - The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.

10. **Contract Claims**

Contract claims and controversies under this Contract shall be resolved according to Arizona Department of Education School District Procurement Code Rule A.A.C. R7-2-1155 through R7-2-1159.

Any dispute involving a 1GPA member and Vendor outside of Arizona shall be governed by the laws of the state of the 1GPA member, without regard to its provisions on conflicts of laws, and exclusive jurisdiction and venue shall lie in the city, county, and state of the 1GPA member.

11. **Federal and State Requirement**

A. **Compliance with Federal and State Requirements** - Vendor shall comply with all applicable federal, state, and local laws, statutes, ordinances, standards, orders, rules, and regulations, including, as applicable, workers' compensation laws, minimum and maximum salary and wage statutes and regulations, prompt payment and licensing laws and regulations.

Vendor shall comply, when working on any federally assisted projects with the following:

1. The Contract Work hours and Safety Standards Act, (40 U.S.C. §3701 – 3708; 29 CFR Part 5)
2. Davis-Bacon Act, (40 U.S.C. §276a / 29 CFR Part 5)
3. Copland Anti-Kickback Act, (18 U.S.C. §874 / 29 CFR Part 5)
4. Equal Opportunity Employment requirements (Executive Order 11246 and 11375 / 41CFR Chapter 60)
5. McNamara-O'Hara Service Contract Act (41 U.S.C. 351),
6. Section 306 of the Clean Air Act (42 U.S.C. § 1857h,
7. Section 508 of the Clean Water Act (33 U.S.C. § 1368),
8. Executive Order 11738, Environmental Protection Agency regulations (40 CFR Part 15).
9. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)
10. Education Department General Administrative Regulations, 2 C.F.R. Parts 200 and 3474, and 34 C.F.R. Parts 75-77 and 81 ("EDGAR"),
11. Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871)
12. All applicable requirements and regulations, including those related to reporting, patent rights, copyrights, data rights and those mandated by federal agencies making awards of federal funds to 1GPA members.

B. **Offshore Performance** - Due to security and identity protection concerns, direct services under any subsequent contract shall be performed within the borders of the United States. Any services that are described in the specifications or scope of work that directly serve the school district(s) or charter school(s) or its clients and may involve access to secure or sensitive data or personal client data or development or modification of software for the State shall be performed within the borders of the United States. Unless specifically stated otherwise in the specifications, this definition does not apply to indirect or "overhead" services, redundant back-up services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers.

C. **Contractor's Employment Eligibility** - By entering the contract, Contractor warrants compliance with ARS § 41-4401, ARS § 23-214, the Federal Immigration and Nationality Act (FINA), and all other federal immigration laws and regulations. 1GPA or Member may request verification of compliance from any Contractor or subcontractor performing work under this Contract. 1GPA or Member reserves the right to confirm compliance in accordance with the applicable laws. Should 1GPA or Member suspect or find that the Contractor or any of its subcontractors are not in compliance, 1GPA or Member may pursue any and all remedies allowed by law, including, but not limited to: suspension of work, termination of the Contract for default and suspension, and/or debarment of the Contractor. All costs necessary to verify compliance are the responsibility of the Contractor.

D. **Davis-Bacon** – For Federally funded projects subject to the Davis-Bacon Act, the Member shall specify the applicable Davis-Bacon wage decision, prior to the contractor providing a firm price quotation for the proposed project. The wage decision shall be identified by the WD Number, modification number, and date of the wage decision.

E. **Fingerprint and Background Checks** - In accordance with ARS § 15-512(H), a contractor, subcontractor or vendor, any employee of a contractor, subcontractor or vendor who is contracted to provide services on a regular basis at an individual school may be required to obtain a valid fingerprint clearance card pursuant to Title 41, Chapter 12, Article 3.1. An exception to this requirement may be made as authorized in governing board policy of the Member District.

F. **Terrorism Country Divestments** - Per ARS § 35-392, 1GPA and its Members are prohibited from purchasing from a company that is in violation of the Export Administration Act.

G. **Registered Sex Offender Restrictions** - For work to be performed at schools, contractor agrees that no employee or employee of a subcontractor who has been adjudicated to be a registered sex offender will perform work at any time when students are or are reasonably expected to be present. Contractor agrees that a violation of this condition shall be considered a material breach and may result in the cancellation of the purchase order at the Member's discretion. Contractor must identify any additional costs associated with compliance of this term. If no costs are specified, compliance with this term will be provided at no additional charge.

H. **Affordable Care Act** - Vendor understands and agrees that it shall be solely responsible for compliance with the Patient Protection and Affordable Care Act, Public Law 111-148 and the Health Care Education Reconciliation Act, Public Law 111-152 (collectively the Affordable Care Act "ACA"). Contractor shall bear sole responsibility for providing health care benefits for its employees who provide services to the Member as required by state or federal law.

I. **Boycott of Israel –** Arizona public entities and other states as applicable, the member may not enter into a contract with a company that is currently engaged in, and agrees for the duration of the contract to not engage in, a boycott of Israel.

J. **EDGAR –** When a 1GPA Member seeks to procure goods and services using funds under a federal grant or contract, specific federal laws, regulations, and requirements may apply in addition to those under state law. This includes, the procurement standards of the **Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 C.F.R. 200 (EDGAR)**. All Vendors submitting proposals must complete the EDGAR Vendor Certification Form contained within this document.

K. **Minority Businesses** – 1GPA and its Lead Agency have taken all necessary affirmative steps to assure minority businesses, women's business enterprises, and labor surplus area firms are notified of any bidding opportunities when possible according to 2 CFR Part 200.321.

L. **Civil Rights Compliance** - In accordance with 7 CFR Part 210.23, Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, disability, age, or reprisal or retaliation for prior civil rights activity in any program or activity conducted or funded by USDA.

M. **Child/Sweat-Free Labor Policy –** The Contractor shall comply with all applicable provisions of the United States Federal and State Child Labor and Worker's Right laws and agrees if called upon to affirm in writing, that they, and any subcontractor involved in the provision of goods to any Member under the resulting contract are in compliance.

N. **Texas House Bill 1295 Certificate of Interested Parties** – For contract entered into or after January 1, 2016, Texas Government Code Chapter 2252.908 (H.B. 1295) states that a Texas governmental entity or state agency may not enter into a contract unless the business entity submits a disclosure of interested parties to the governmental entity or state. The law applies only to a contract that either (1) requires an action or vote by the governing body or (2) has a value of at least $1 million. Information from the Commission regarding the requirements, including rules and filing information, are available at the following links:

https://www.ethics.state.tx.us/tec/1295-info.htm
https://www.ethics.state.tx.us/whatsnew/faq_form1295.html
https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm

It is the responsibility of vendors to determine the applicability of, and comply with, all disclosure laws of House Bill 1295.

O. **Universal Administrative Company (USAC) and Schools and Libraries Division (SLD)** – The Contractor shall comply with all applicable provisions of Universal Administrative Company (USAC) and Schools and Libraries Division (SLD) for all E-Rate eligible purchases under the contract. Information may be obtained from the following link: https://www.usac.org/sl/default.aspx

P. **Red Light Rule** – Any service provider, or the sub-contractor of any service provider, who is currently under, or has reason to believe that they may have a red light status under, the "Red Light Rule" by the FCC must disclose that information in this proposal. If any vendor, or the sub-contractor of any vendor, is found to have a red light status under the FCC "Red Light Rule" during the term of this contract, this contract may be immediately terminated. 1GPA will provide the vendor ten (10) days written warning of its intention to cancel the contract under this clause.

SPECIAL DEFINITIONS – ERATE

A full list of Definitions and Glossary of Terms may be obtained by clicking the following link: **CLICK HERE FOR GLOSSARY OF TERMS**

1. **E-RATE MODERNIZATION ORDER:** The FCC Report and Order that modernized the E-rate Program and focused on high-speed broadband connectivity to schools and libraries (FCC 14-99).

2. **E-RATE PROGRAM:** The common term used in place of the Schools and Libraries Program. The E-rate Program provides discounts to schools and libraries for eligible products and services.

3. **FEDERAL COMMUNICATIONS COMMISSION (FCC):** The U.S. government agency that regulates interstate and international communications and oversees the Universal Service Fund.

4. **FUNDING YEAR (FY):** The funding year is a time during which program support is being provided. The FY begins July 1 and ends June 30 of the following calendar year.

5. **INTERNAL CONNECTIONS:** Internal Connections services are eligible products, such as routers, switches, hubs, and wiring. Eligible products are located at the applicant site and must be considered a necessity to transport information to classrooms or publicly accessible areas of a library.

6. **LOWEST CORRESPONDING PRICE (LCP):** The lowest price that a service provider charges to non-residential customers who are similarly situated to a particular E-rate Program applicant (school, library, or consortium) for similar services.

7. **NOTICE OF PROPOSED RULE MAKING (NPRM):** An announcement issued by the FCC to detail proposed changes to FCC rules and policies and seek public comment on the changes.

8. **PUBLIC NOTICE (PN):** A notice issued by the FCC to notify the public of an action taken, a change made, or an upcoming event.

9. **SCHOOLS AND LIBRARIES DIVISION (SLD):** One of the four universal service programs administered by USAC.

10. **UNIVERSAL SERVICE ADMINISTRATIVE COMPANY (USAC):** An independent, not-for-profit corporation created by the FCC in 1997 to administer the four universal service programs which help provide communities across the country with access to affordable telecommunications services.

SPECIAL TERMS AND CONDITIONS

1. **TERM OF CONTRACT:** It is 1GPA's intent to award a multi-term contract. The initial term of the resultant contract shall start on July 1, 2019 and shall continue for a period of one (1) year thereafter, unless terminated, cancelled or extended as otherwise provided herein.

2. **CONTRACT EXTENSION:** 1GPA reserves the right to unilaterally extend the period of any resultant contract month to month beyond the stated expiration date if that is determined to be in the best interests of Members. In addition, by mutual written agreement, any resultant contract may be extended for a supplemental period up to a maximum of forty-eight (48) months in twelve (12) month increments.

3. **CONDITIONS FOR RENEWAL:** Conditions for renewal of the contract shall include, but are not limited to: contract usage, satisfactory performance of services during the preceding contract term, ability to continue to provide satisfactory services, continued adherence to the contract requirements, and continued competitive prices for the materials and services provided under the contract.

4. **CONTRACT TYPE**: The contract shall be a cooperative contract in the form of percent discount off manufacturer's price list or catalog, fixed price, or a combination of both with indefinite quantities on an as needed, if needed basis.

5. **FORM OF CONTRACT:** The form of contract for this Solicitation shall be the Request for Proposal, the awarded Proposal(s) and Best and Final Offer(s), and properly issued purchase orders incorporating each member's specific policies and P.O. terms and conditions referencing the requirements of the Request for Proposals. If a firm submitting a Proposal requires 1GPA and/or Member to sign an additional agreement, a copy of the proposed agreement must be included with the Proposal. 1GPA will accept partial offers for award of a contract.

6. **ELIGIBLE AGENCIES (NATIONWIDE):** The contract will be made available for the use of all 1GPA Cooperative Members, agencies, commissions and boards to participate at their discretion. In order to participate in this contract, a cooperative member shall have entered into a Cooperative Purchasing Agreement. Membership is available to all political subdivisions including cities, towns, counties, school districts, municipalities, etc. Membership is also available to all non-profit organizations, as well as State Governments, the US Federal Government and Tribal Nations.

7. **E-RATE ELIGIBILITY (CATEGORY 2):** E-Rate Category Two services include Internal Connections, Managed Internal Broadband Services, and Basic Maintenance of Internal Connections. The resulting contract will be made available for the use of Eligible Applicants of the E-Rate program administered by Universal Services Administration Company (USAC) and School and Libraries Division (SLD). More information may be obtained by visiting the following website: https://www.usac.org/sl/applicants/beforeyoubegin/default.aspx

8. **E-RATE ELIGIBLE SERVICE PROVIDERS:** Service Providers for E-Rate program shall familiarize themselves with the Eligible Services List, provide a Service Provider Identification Number (SPIN), and comply with USAC, SLD, and FCC Rules and Regulations. More information can be obtained by visiting the following website: https://www.usac.org/sl/service-providers/default.aspx

9. **PROPOSAL ACCEPTANCE PERIOD**: In order to allow for an adequate evaluation, 1GPA requires a Proposal in response to this Solicitation to be valid and irrevocable for ***one-hundred and twenty (120)*** days after the opening time and date.

10. **RESPONSE FORMAT:** All Proposal responses should follow the instructions given in this Request for Proposal. Address each requirement in the same order as has been requested.

11. **TIME STAMP**: Proposals will be time stamped when received. They will be accepted up to but no later than the time indicated in the Request for Proposal (RFP). Proposals received after the time stated in the RFP will not be considered and will remain unopened. Offeror assumes the risk of any delay in the U.S. Mail. Whether sent by mail or by means of personal delivery, the Offeror assumes responsibility for having his Proposal deposited on time at the place specified.

12. **ELECTRONIC SUBMITTAL - OPTIONAL:** An electronic submission is **optional (but preferred).** The electronic submission is to be uploaded online through BONFIRE. Submittal instructions for BONFIRE are found on the last page of this document under Exhibit A.

13. **AWARD**: Award(s) will be made to the responsive and responsible Offeror(s) whose Proposal(s) is (are) determined in writing to be most advantageous to 1GPA for its Members based on the factors set forth in the Request for Proposals. No other factors or criteria may be used in the evaluation. The amount of any applicable transaction privilege or use tax of a political subdivision of this state is not a factor in determining the most advantageous proposal. The procurement file shall contain the basis on which the award is made.

In compliance with Federal Communications Commission (FCC) rules, will award to the vendor(s) providing the most cost-effective service offering. Per the Sixth Report and Order, FCC 10-175, FCC rules dictate the following:

> *§ 54.503 (c)(2)(vii) All [offers] submitted for eligible products and services will be carefully considered, with price being the primary factor, and the [offer] selected will be for the most cost-effective service offering consistent with § 54.511*.
>
> *§ 54.511 Ordering Services (a) Selecting a provider of eligible services. In selecting a provider of eligible services, schools, libraries, library consortia, and consortia including any of those entities shall carefully consider all bids submitted and must select the most cost-effective service offering. In determining which service offering is the most cost-effective, entities may consider relevant factors other than the pre-discount prices submitted by providers, but price should be the primary factor considered.*

Therefore, 1GPA may consider factors other than price alone in the consideration of [offers]; price for E-rate eligible goods and services will be the primary factor considered.

14. **DISCUSSIONS**: In accordance with R7-2-1047, after the initial receipt of Proposals, 1GPA reserves the option to conduct discussions with those Offerors who submit Proposals determined to be reasonably susceptible of being selected for award. Discussions may be conducted to assure full understanding of the Proposal in order to obtain the most advantageous contract for 1GPA Members.

15. **BEST AND FINAL OFFERS:** If discussions are conducted pursuant to R7-2-1047, the District shall issue a written request for Best and Final Offers. If Offerors do not submit a notice of withdrawal or a Best and Final Offer, the immediate previous offer will be construed as the Best and Final Offer.

16. **MULTIPLE AWARDS:** 1GPA has a vast number and variety of cooperative members comprised of school districts, cities, counties, and public agencies throughout the United States (both E-rate eligible and non-E-rate).

In order to assure that any ensuing contracts will allow 1GPA to fulfill current and future requirements; 1GPA reserves the right to award contracts to multiple vendors. Such decision will comply with R7-2-1050. The basis for consideration of a multiple award will be based upon offeror's ability to provide for; 1) a robust line of products and services requested in the scope of work of this solicitation (both E-rate eligible and non E-rate), 2) a large diverse Membership, 3) geographic areas serviced. The actual use of any contract will be at the sole discretion of the Lead

Agency and 1GPA members. Contracts will be awarded by one or more of the following methods; individual line item, groups of line items, incrementally, by region, or by location.

The awards will be limited to the least number of Offerors the Lead Agency and 1GPA determine is necessary to meet the needs of the District and participating Members. Offeror should consider the fact that the Lead Agency and 1GPA may award multiple contracts in preparing their response. The fact that the Lead Agency and 1GPA may make multiple contracts, award only one contract, or to make no awards rests solely with the Lead Agency and 1GPA.

17. ADMINISTRATION FEE: 1GPA will assess a .01 (1%) administration fee for all contract usage as a separate fee to comply with E-rate program rules. Pricing submitted in all offers shall not include the 1% fee for any E-rate eligible pricing. Administrative fees are not reimbursable under E-rate and shall be invoiced on a separate line item as a non-eligible cost.

18. PRICING: Contract pricing may be established upon:
1) Percent Discount(s) off published price list(s) or catalog(s)
2) Firm Fixed Pricing
3) A combination of the above

19. COMBINATION PRICING: Offers for combination contracts shall clearly identify items covered by discount(s) and those with fixed prices. Prices for such contracts shall be adjusted as identified for the appropriate contract type above.

20. DISCOUNTS: Discount offers must clearly identify percent of discount to apply to contract. If multiple discounts apply, offeror shall clearly indicate the discounts and applicable materials or services. There will be no reduction discount(s) during the term of contract.

21. PRICE ADJUSTMENT FOR DISCOUNT PRICING: Revised Published Price Lists may be submitted for review throughout the term of the contract. 1GPA shall determine whether the requested revised pricing or an alternate option is in the best interest of its Members.

22. PRICE ADJUSTMENT FOR FIXED PRICING: Fixed price offers shall include prices for any and all items proposed under the contract. Fixed prices shall be firm until each anniversary date of contract, unless there is an occurrence of one or more allowable economic price adjustment contingencies outlined in proposal. If allowable price adjustment contingencies occur, contract vendor may submit a fully documented request for price adjustment to 1GPA. The document must substantiate that any requested price increase was clearly unpredictable at the time of proposal submittal and results from an increased cost to contract vendor that was out of contract vendor's control.

23. PRICE REDUCTION: A price reduction adjustment may be offered at any time during the term of a contract and shall become effective upon notice.

24. VOLUME DISCOUNTS: The awarded vendor may offer volume discounts at any time during the Contract such that the price is at or below the percent off list price within the Contract given that the volume price reduction is available to all Customers allowed to purchase under the Contract.

25. NEW PRODUCT: New products/services may be added during the term of the contract upon written request providing it is within the original scope of this RFP. All requests are subject to review and approval by 1GPA. Successful vendor shall be responsible for notifying 1GPA of all discontinued products in writing.

SPECIAL TERMS AND CONDITIONS

26. QUANTITIES: 1GPA estimates considerable activity from the award. Based on historical data from the previous contracts 1GPA estimates usage of this contract to between $10 and $20 Million annually. This projection is based on the current volumes of 1GPA Members that are anticipated to utilize the Contract.

1GPA and Lead Agency make no guarantee or commitment of any kind regarding usage of any contracts resulting from this Solicitation.

27. SHIPPING TERMS: Prices shall be F.O.B. Destination to Member's location. Contractor shall retain title and control of all goods until they are delivered and the contract of coverage has been completed. All risk of transportation and all related charges shall be the responsibility of the contractor. All claims for visible or concealed damage shall be filed by the contractor. 1GPA Members will notify the contractor promptly of any damaged goods and shall assist the contractor in arranging for inspection.

28. DELIVERY: Contractor shall deliver conforming materials in each installment under this contract and may not substitute nonconforming materials. 1GPA reserves the right to declare a breach of contract if contractor delivers nonconforming materials to any Member under this contract.

29. INSTALLATION: The Offeror shall protect all furnishings from damage and shall protect the Member's property from damage or loss arising in connection with this contract. He shall make good any such damage, injury or loss caused by his operations, or those of his employees, to the satisfaction of the Member. The Offeror shall confine his equipment, storage of materials and the operation of his workmen to the limits as indicated by the Unit Foreman in the area in which the work is being performed. Any damage caused to Member's facilities, lawns, etc., shall be repaired immediately or replaced at no expense to the Member.

The successful Contractor shall take all necessary precautions for the safety of students, employees and the public, and shall comply with all applicable provisions of Federal, State and Municipal Safety Laws. Contractor will be held fully responsible to the Member for the acts and omissions of any and all persons whether directly or indirectly employed by Contractor. Contractor shall maintain such insurance as will protect him and the Member from claims or damage for personal injury, including death, which may arise from operations under this contract.

30. TRAINING: The Contractor should provide designated Member personnel training on the proper use and care of equipment supplied after delivery and installation of the equipment.

31. BRAND NAMES: Any manufacturer's names, trade names, brand names or catalog numbers used in the specifications are for the purpose of describing and/or establishing the quality, design and performance required. Any such reference is not intended to limit or restrict a Proposal by any vendor but is only enumerated in order to advise potential offerors of the requirements of 1GPA. Any Proposal which proposes like quality, design or performance will be considered.

32. NEW EQUIPMENT: All equipment supplied pursuant to this specification shall be new, unused, and the most current model available at time of order.

33. CURRENT PRODUCTS: All products being offered in response to this solicitation shall be in current and ongoing production and capable of meeting or exceeding all specifications and requirements set forth in this solicitation.

34. DEFECTIVE PRODUCTS: All defective products shall be replaced and exchanged by the Contractor. The cost of transportation, unpacking, inspection, re-packing, re-shipping or other like expenses shall be paid by the Contractor.

35. EQUIPMENT AND PRODUCT RECALL NOTICES: In the event of any recall notice, technical service bulletin, or other important notification affecting equipment or product purchased from this contract, a notice shall be sent to the

Contract Administrator with 1GPA and the Member. It shall be the responsibility of the contractor to assure that all recall notices are sent directly to the agency Member Representative.

36. SAFETY STANDARDS: All items supplied on this contract must comply with the current applicable occupational safety and health standards of the State of Arizona Industrial Commission, the National Electric Code, and the National Fire Protection Association Standards.

37. LICENSES: Contractor shall maintain in current status all federal, state and local licenses and permits required by the operation of the business conducted by the contractor.

38. CLEAN UP: The Contractor, at all times, shall keep the premises free from accumulation of waste materials or rubbish caused by construction operations. Upon completion of the work, remove all waste materials and rubbish from and about the Project, as well as tools, construction equipment, machinery and surplus materials.

If the Contractor fails to clean up the work, the 1GPA Member may do so and the cost thereof shall be charged to the Contractor.

Remove all surplus materials and debris of every nature resulting from operations, and put site in a neat, orderly condition.

39. WARRANTIES: All items offered shall be covered by the manufacturer's standard warranty. Contractor warrants that all material or service delivered under the resulting Contract shall conform to the specification of the Contract. Mere receipt of shipment of the material or service specified and any inspection incidental thereto by the Member shall not alter or affect the obligations of the Contractor or the rights of the Member under the foregoing warranties. Additional warranty requirements may be set forth in this document.

40. BILLINGS: All billing notices shall identify the specific item(s) being billed. Items are to be identified by name, model/serial number as most applicable. Any purchase/delivery order issued will refer to the contract number resulting from this solicitation.

41. INSURANCE: Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work by the Contractor, his agents, representatives, employees or subcontractors.

The insurance requirements herein are minimum requirements and in no way limit the indemnity covenants contained in this RFP. Contractor shall provide coverage with limits of liability not less than those stated below.

1. Commercial General Liability-Occurrence Form
   Policy shall include bodily injury, property damage and broad form contractual liability coverage.
   General Aggregate - $2,000,000
   Products-Completed Operations Aggregate - $1,000,000
   Personal and Advertising Injury - $1,000,000
   Each Occurrence - $1,000,000
   The policy shall be endorsed to include the following additional insurance language: 1GPA member is named as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor.

2. Automobile Liability Bodily Injury and Property Damage for any owned, hired, and non-owned vehicles used in the performance of this Contract. Combined Single Limit (CSL) $1,000,000.
   The policy shall be endorsed to include the following additional insured language: 1GPA member is named

as an additional insured with respect to liability arising out of the activities performed by, or on behalf of the Contractor, including automobiles owned, leased, hired or borrowed by the Contractor.

3. Worker's Compensation and Employers' Liability

Workers' Compensation	Statutory
Employers' Liability	
Each Accident	$100,000
Disease-Each Employee	$100,000
Disease-Policy Limit	$500,000

4. Property Insurance
   Contractor's awarded contracts for construction or expansion of buildings shall obtain and maintain for the duration of the project, course of construction builders risk insurance in the amount of the real property being constructed.

5. Technology or Cyber Liability insurance if requested by the Member, with a minimum of $1,000,000 per claim and $2,000,000 aggregate. Insurance shall include coverage for cloud computing and mobile devices, protection of private or confidential information, network security and privacy; Liability for system attacks, digital asset loss, denial or loss of service, unauthorized access and use, as well as introduction, implantation or spread of malicious software code.

ADDITIONAL INSURANCE REQUIREMENTS: The policies are to contain, or be endorsed to contain the following provisions:

The Contractor's insurance coverage shall be primary insurance and noncontributory with respect to all other available sources.

Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.

Insurance may be arranged in any configuration the Contractor chooses so long as the coverages are not less than the values stated above. Before any orders are processed under an awarded contract, awarded vendor shall provide a certificate that names 1GPA as the certificate holder. In addition, awarded vendor shall be willing to provide, upon request, a certificate of insurance to any Member using this contract.

42. KEY PERSONNEL: It is essential that the contractor provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this contract. The contractor must agree to assign specific individuals to the key positions.

A. The contractor agrees that, once assigned to work under this contract, key personnel shall not be removed or replaced without written notice to 1GPA or Member.

B. If key personnel are not available for work under this contract for a continuous period exceeding 30 calendar days or are expected to devote substantially less effort to the work than initially anticipated, the contractor shall immediately notify 1GPA or Member and shall, subject to the concurrence of the District, replace such personnel with personnel of substantially equal ability and qualifications.

43. OFFEROR'S EMPLOYEES: Offeror agrees that the individuals provided to 1GPA or Member on a temporary basis are Offeror's, not 1GPA's or Member's employees.

Offeror agrees that it is solely responsible for its own acts and omissions and for those of its employees and that Offeror and any employees working for Offeror are the sole responsibility of Offeror for the purposes of any and all legal requirements, including, but not limited to, obligations and liabilities in the following areas:

Workers' Compensation Insurance
Federal and State Unemployment Taxes
Federal and State Withholding and Reporting Requirements
Unemployment Compensation Insurance
Federal, State, and Local Employment Laws

Offeror agrees that it or its employees are not entitled to any benefits or protections that accrue from an employment relationship with 1GPA, including, but not limited to, health insurance, life insurance, due process rights, and/or vacation/holiday pay.

1GPA will not provide Offeror or its employees any business registrations or licenses that may be required. 1GPA will not combine business operations with Offeror.

Neither Offeror nor its employees are to be considered agents or employees of 1GPA for any purpose. It is understood and agreed that 1GPA does not require Offeror to provide services exclusively to 1GPA and that Offeror and its employees are free to contract to provide services to other companies while it is under contract with the District.

In compliance with all applicable laws, the Offeror shall, at no charge to 1GPA, conduct drug/alcohol testing, fingerprint checks, reference checks and background checks of each individual who will perform services for 1GPA to ascertain that there is no history of behavior that would make the individual unsuitable to work with children or work in a school setting. These checks must be completed before the individual provides any services to the Member. The fingerprint and background checks will be conducted in accordance with applicable laws, including current Arizona Revised Statutes § 15-512 and/or 15-534, as applicable.

At any time, and for any reason, 1GPA or the Member may request or reject any of Offeror's employees.

Offeror agrees to comply with the Member's rules, regulations, and policies, as the Member may modify from time to time.

44. EMPLOYEE IDENTIFICATION: All employees **must** check in at the front office of each Member site. The employee must have an identification badge at all times in clear view, with picture ID and name of firm. In addition, the employee shirt must have the company name on it. Failure to have any of these items will result with the employee being escorted off property.

45. REFERENCES: For complete information on references and definitions used for specifications in the solicitation please visit websites below:

ASTM International (ASTM): www.atsm.org
Code of Federal Regulations (CFR): www.gpoaccess.gov/cfr/index.html
Occupational Safety and Health Administration (OSHA): www.osha.gov
Underwriters Laboratories, Inc. (UL): http://www.ul.com

SCOPE OF WORK

1) PURPOSE:

The purpose of this Request for Proposal (RFP) is to develop a long-term contract with qualified and experienced firm(s) to provide 1GPA Members with goods and services for both E-Rate Eligible (classified as Category Two under the FCC/USAC/SLD E-Rate program) and also to include Non-Erate Eligible services for Internal Connections as specified herein.

E-Rate Eligible products and services will be offered in states where an associated Form 470 was filed by 1GPA and/or the Member in compliance with E-Rate Program rules. This contract will accommodate 1GPA Member's FCC Form 471 process and can be referenced as the establishing Form 470 on the E-rate application.

This RFP is in association with USAC/SLD E-Rate Form 470 190028895. Relevant states include Arizona, California, Florida and Texas.

2) BACKGROUND:

1Government Procurement Alliance (1GPA), is a non-profit national governmental purchasing cooperative which allows public agencies to take advantage of existing contracts to purchase the goods and services they need from local and national vendors. Eligible using members include school districts, charter schools, universities, colleges, cities, towns, municipalities, counties, states, local governments, federal government, Native American communities, fire districts, and any other political subdivision.

The Paradise Valley Unified School District (PVUSD) is one of the largest employers in the north valley with approximately 3,800 employees. The current student population is approximately 31,500. PVUSD is comprised of 51 sites, which include five high schools, seven middle schools, 30 elementary schools, three alternative schools, one comprehensive online school, and five administrative support sites. PVUSD covers approximately 98-square miles of the northeast Phoenix and north Scottsdale in an area bounded by 7th Avenue and Pima Road, and Northern Avenue and Jomax Road.

This solicitation will be replacing the following 1GPA contract(s): E-Rate Internal Connections 15-54-01S thru 15-54-06S (five active contracts). **Current contractors of the above mentioned contract(s) will need to respond to this solicitation to have the opportunity for continued service to 1GPA Members.**

3) GENERAL REQUIREMENTS

A. Offerors should respond to as many areas within the scope of work as possible. Products shall be "standard" and capable of interoperability with other "standard" products of different manufacturers. Offerors may offer alternate solutions and/or "equal to" products. It shall be the Offerors responsibility to determine the E-Rate eligibility of each product offered. If a product has an associated Cost Allocation, or is ineligible, the Offeror must list that cost allocation in the pricing section.

B. All equipment shall comply with the current applicable provisions and standards of the NEC, Underwriters Laboratories, Inc., Federal Communications Commission, Institute of Electrical and Electronics Engineers, American National Standards Institute, Bellcore Standards, Electronic Industries Organization, ISO Quality Standards, OSHA, Signal Computing Systems Architecture, Multi-Vendor Integration Protocol, Distributed Computer Telephony Group, State and Local Codes, Safety and Health Standards of the State of Arizona, the National Electric Code, OSHA standards, IEEE standards, BICSI standards, EIA/TIA standards, and the NFPA Standards where appropriate.

C. All equipment must be of the latest industry standard and interoperable with other manufactures of similar equipment.

D. The 1GPA member and awarded vendor shall be responsible for determining E-rate eligibility of equipment, materials, and/or services purchased under this contract.

E. Awarded vendor shall provide comprehensive training on operation, use and testing of the purchased equipment.

4) SCOPE OF WORK:

A. **GENERAL SCOPE**: Internal connections services needed to enable high-speed broadband connectivity and broadband internal connections components. E-Rate Eligible Category Two includes local area networks/ wireless local area networks (LAN/ WLAN), internal connections components, basic maintenance of internal connections components, and managed internal broadband services.

The resulting contract will be comprised of the following main categories that will develop the "structure" of the contract. Each category will include ancillary products and services that are necessary to deliver an entire "solution-based" product and/or service to Members:

(1) **NETWORK EQUIPMENT:** The network equipment section of this proposal is intended to garner pricing for network electronics intended to move voice, video and/or data traffic in a LAN and/or WAN environment. This is equipment that a member can purchase. Examples of network equipment include (but are not limited to) network switches, routers, wireless equipment and other associated devices. All associated labor for installation, project management, engineering, design, consulting, per diem travel (etc.) and maintenance should be included in the master price sheet.

(2) **CABLING:** The cabling section of this proposal is intended to garner pricing for all materials and labor to provide voice, video and/or data traffic in a LAN and/or WAN environment. This is equipment that a member can purchase. Examples of cabling include (but are not limited to) fiber optic cable (multimode and single mode at all speeds) copper cabling (Cat 5e, Cat6, etc.), equipment racks and cabinets, grounding and bonding, necessary conduit, etc. All associated labor for installation, project management, engineering, design, consulting, per deim travel (etc.) and maintenance should be included in the master price sheet.

(3) **MANAGED INTERNAL BROADBAND SERVICES:** A category of service on the Eligible Services List. Services provided by a third party for the operation, management, and monitoring of internal connections components. E-rate support is limited to eligible expenses or portions of expenses that directly support and are necessary for the broadband connectivity within schools and libraries.

(4) **BASIC MAINTENANCE OF INTERNAL CONNECTIONS:** A Category Two service type on the Eligible Services List. Basic Maintenance of Internal Connections services cover the repair and upkeep of eligible products.

B. **PARTIAL OFFERS:** This is NOT an "All or Nothing" solicitation. Offerors are encouraged to submit proposals on single or multiple categories. 1GPA will accept partial offers for award of a contract.

ERATE ELIGIBLE SERVICES- CATEGORY 2

The Federal Communications Commission's (FCC's) rules provide that all services that are eligible to receive discounts under the Schools and Libraries Universal Service Support Mechanism (otherwise known as the E-Rate program or E-Rate) are listed in the Eligible Services List (ESL). 47 CFR § 54.502(a). The E-Rate program is administered by the Universal Service Administrative Company (USAC). 47 CFR § 54.5.

Eligible schools and libraries may utilize the resulting contract for E-Rate eligible products and services for Category Two: internal connections, basic maintenance, and managed internal broadband services as identified herein. 47 CFR§§ 54.500 *et seq*.

Additional guidance from USAC about the E-Rate process and about eligible services, including a glossary of terms, is available at USAC's website at http://www.usac.org/sl/.

E-Rate Eligible Services List (ESL) is subject to changes by the FCC periodically and the 1GPA contract will reference the most recent ESL for duration of the contract terms.

The ESL referenced in this solicitation is the most recent list adopted by FCC on November 16, 2018.

1. Eligible Services List Category Two:

Category two covers equipment and services eligible for E-Rate support including the internal connections needed for broadband connectivity within schools and libraries. Support is limited to the internal connections necessary to bring broadband into, and provide it throughout, schools and libraries. These are broadband connections used for educational purposes within, between, or among instructional buildings that comprise a school campus (as defined below in the section titled "Eligibility Explanations for Certain Category One and Category Two Services") or library branch, and basic maintenance of these connections, as well as services that manage and operate owned or leased broadband internal connections (e.g., managed internal broadband services or managed Wi-Fi). Category Two support is subject to per-school or per-library budgets as set forth in 47 CFR § 54.502.

The eligible components and services in Category Two are:

A. Eligible Broadband Internal Connections

- Antennas, connectors, and related components used for internal broadband connections
- Cabling
- Caching
- Firewall services and firewall components separate from basic firewall protection provided as a standard component of a vendor's Internet access service
- Racks
- Routers
- Switches
- Uninterruptible Power Supply (UPS)/Battery Backup
- Access points used in a local area network (LAN) or wireless local area network (WLAN) environment (such as wireless access points)
- Wireless controller systems
- Software supporting the components on this list used to distribute high-speed broadband throughout school buildings and libraries (applicants should request software in the same category as the associated service being obtained or installed)

Notes:

(1) Functionalities listed above that can be virtualized in the cloud, and equipment that combines eligible functionalities, like routing and switching, are also eligible.

(2) A manufacturer's multi-year warranty for a period up to three years that is provided as an integral part of an eligible component, without a separately identifiable cost, may be included in the cost of the component.

(3) Caching is defined as a method that stores recently accessed information. Caching stores information locally so that the information is accessible more quickly than if transmitted across a network from a distance. A caching service or equipment that provides caching, including servers necessary for the provision of caching, is eligible for funding.

B. Eligible Managed Internal Broadband Services

- Services provided by a third party for the operation, management, and monitoring of eligible broadband internal connections are eligible managed internal broadband services (e.g., managed Wi-Fi).

- E-Rate support is limited to eligible expenses or portions of expenses that directly support and are necessary for the broadband connectivity within schools and libraries. Eligible expenses include the management and operation of the LAN/WLAN, including installation, activation and initial configuration of eligible components, and on-site training on the use of eligible equipment.

- In some eligible managed internal broadband services models, the third-party manager owns and installs the equipment and school and library applicants lease the equipment as part of the managed services contract. In other cases, the school or library may own the equipment, but have a third party manage the equipment for it.

C. Basic Maintenance of Eligible Broadband Internal Connections

E-Rate support is available for basic maintenance and technical support appropriate to maintain reliable operation when provided for eligible broadband internal connections.

The following basic maintenance services are eligible:

- Repair and upkeep of eligible hardware
- Wire and cable maintenance
- Configuration changes
- Basic technical support including online and telephone-based technical support
- Software upgrades and patches including bug fixes and security patches

2. <u>Eligibility Limitations for Category Two</u>

A. Eligibility limitations for managed internal broadband services – The equipment eligible for support as part of a managed internal broadband service may include only equipment listed above as broadband internal connections. Upfront charges that are part of a managed service contract are eligible for E-Rate support except to the extent that the upfront charges are for any ineligible internal connections (e.g., servers other than those that are necessary to provide caching), which, if included in the contract, must be cost allocated out of any funding request.

B. Eligibility limitations for basic maintenance – Basic maintenance is eligible for support only if it is a component of a maintenance agreement or contract for eligible broadband internal connections.

The agreement or contract must specifically identify the eligible internal connections covered, including product name, model number, and location. Support for basic maintenance will be paid for the actual work performed under the agreement or contract. Support for bug fixes, security patches, and technical support is not subject to this limitation.

Basic maintenance does not include:

- Services that maintain ineligible equipment
- Upfront estimates that cover the full cost of every piece of eligible equipment
- Services that enhance the utility of equipment beyond the transport of information, or diagnostic services in excess of those necessary to maintain the equipment's ability to transport information
- Network management services, including 24-hour network monitoring
- On-site technical support (i.e., contractor duty station at the applicant site), unless applicants present sufficient evidence of cost-effectiveness
- Unbundled warranties

3. Eligibility Explanations for Certain Category One and Category Two Services

A. Internet access/ISP service – Eligible Internet access services may include features such as basic firewall protection, domain name service, and dynamic host configuration when these features are provided as a standard component of a vendor's Internet access service. Firewall protection that is provided by a vendor other than the Internet access service provider or priced out separately will be considered a Category Two internal connections component. Examples of items that are ineligible components of Internet access services include applications, content, e-mail, and end-user devices and equipment such as computers, laptops, and tablets.

B. Wireless services and wireless Internet access – As clarified in the *Second 2014 E-Rate Order* (FCC 14-189), data plans and air cards for mobile devices are eligible only in instances when the school or library seeking support demonstrates that the individual data plans are the most cost- effective option for providing internal broadband access for mobile devices at schools and libraries. Applicants should compare the cost of data plans or air cards for mobile devices to the total cost of all components necessary to deliver connectivity to the end user device, including the cost of data transmission and/or Internet access to the school or library. Seeking support for data plans or air cards for mobile devices for use in a school or library with an existing broadband connection and WLAN implicates the E-Rate program's prohibition on requests for duplicative services.

Off-campus use, even if used for an educational purpose, is ineligible for support and must be cost allocated out of any funding request.

Managed internal broadband services, such as managed Wi-Fi, are eligible only for Category Two support.

C. Connections between buildings of a single school – The classification of connections between multiple buildings of a single school is determined by whether the buildings are located on the same campus. A "campus" is defined as the geographically contiguous grounds where the instructional buildings of a single eligible school are located. A single school may have multiple campuses if it has instructional buildings located on grounds that are not geographically contiguous. Different schools located on the same grounds do not comprise a single campus. The portion of the grounds occupied by the instructional buildings for each school is a campus for that school.

- Connections between buildings on different campuses of a single school are considered to be Category One data transmission services.
- Connections between different schools with campuses located on the same property (e.g., an elementary school and middle school located on the same property) are considered to be Category One data transmission services, unless they share the same building.
- Connections between buildings of a single school on the same campus are considered to be Category Two internal connections.

D. Network equipment with mixed eligibility – On-premises equipment that connects to a Category Two-eligible LAN is eligible for Category One support if it is necessary to make a Category One broadband service functional. If the price for components that enable the LAN can be isolated from the price of the components that enable the Category One service, those costs should be cost- allocated out of the Category One funding request.

4. Miscellaneous: As described below, various miscellaneous services associated with Category Two are eligible for support. Applicants should request eligible miscellaneous services in the same category as the associated service being obtained or installed.

A. Fees: Fees and charges that are a necessary component of an eligible product or service are eligible, including:

- Change fees
- Contingency fees are eligible if they are reasonable and a regular business practice of the service provider. Contingency fees will be reimbursed only if the work is performed.
- Freight assurance fees

- Lease or rental fees on eligible equipment
- Per diem and/or travel time costs are eligible only if a contract with a vendor for the eligible product or services specifically provides for these costs
- Shipping charges
- Taxes, surcharges, and other similar, reasonable charges incurred in obtaining an eligible product or service are eligible. These types of charges include customer charges for universal service fees, but do not include additional charges for universal service administration.

Note: 1GPA Administrative Fee of 1% is not E-Rate Eligible. Contractor shall separate administrative fee costs and bill under "Non-Eligible" fees on invoices.

B. Installation, Activation, and Initial Configuration: Installation, activation, and initial configuration of eligible components are eligible. These services may include:

- Design and engineering costs if these services are provided as an integral component of the installation of the relevant services
- Project management costs if these services are provided as an integral component of the installation of the relevant services
- On-site training is eligible as a part of installation services but only if it is basic instruction on the use of eligible equipment, directly associated with equipment installation, and is part of the contract or agreement for the equipment. Training must occur coincidently or within a reasonable time after installation.

EVALUATION CRITERIA

Representatives of 1GPA will evaluate the proposals and rank them from the one most likely to the one least likely to meet the needs of 1GPA and its Members, and satisfy the requirements of the RFP. 1GPA may call for interviews to clarify information received in the proposal. In addition to interviews, or if the proposals are very closely ranked, 1GPA reserves the option to enter into discussion on pricing and/or other portions of the proposal, and may request Best and Final offers if it is determined to be in 1GPA 's own best interest. However, offering firms are cautioned that 1GPA may proceed with an award on the basis of information received in the original proposal and subsequent interviews (if held) without calling for additional discussions or Best and Final offers.

Evaluation of the proposal will be based on the following criteria. Specific weighting shall be used. The following criteria are listed in order of greatest importance:

A. **Costs (275 points)**
Percent discount off price lists, and sample project pricing will be evaluated. Offerors are responsible for providing additional information regarding how pricing will be applied under the proposed contract.

B. **Products, Services, and Overall Strategy Offered – (250 Points)**
Overall strategy, range of products, and process as related to the Scope of Work to meet the needs of 1GPA Members including, fulfilling requirements and delivery of products.

C. **Experience/Expertise of Offeror (225 points)**
Previous experience of the firm in general as well as that of the individual(s) assigned to work with 1GPA and its Members in performing similar services.

D. **Added Value/Marketing Plan (200 points)**
Additional products and/or services available that firm currently performs in their normal course of business. Service capabilities for multiple regions of the state and nationally may be considered to ensure all members of 1GPA will be serviced.

E. **Responsiveness (50 points)** – Overall responsiveness of the proposal in clearly stating and understanding the scope of work and providing the required information at time of RFP submittal. The ability of the firm to accept the terms and conditions of this solicitation that will become the governing document of this contract will be considered. **All forms and certifications have been completed, signed and submitted in the response.**

SUBMITTAL REQUIREMENTS & PROPOSAL FORMAT

1. SUBMITTAL REQUIREMENTS

Prepare and submit one (1) original and two (2) copies (total of 3 paper sets) of the proposal to the address listed on the cover of this solicitation. The original should be marked "ORIGINAL" and the copies should be marked "COPY".

In addition to the paper sets, an electronic proposal is requested using the BONFIRE online portal. Submittal instructions for BONFIRE are found on the last page of this document under Exhibit A.

Proposals will be date and time stamped when received, whether delivered in paper format to the District's opening location or submitted electronically through Bonfire. **Both paper and electronic proposals must be identical and contain the same documentation.**

2. PROPOSAL FORMAT

Each proposal should be submitted on the forms and in the format specified in the RFP. The material should be in sequence and related to the RFP. 1GPA will not provide any reimbursement for the cost of developing or presenting proposals in response to this RFP. Each proposal should contain a table of contents with a clear and complete identification of the materials submitted by section and page number. Failure to include the requested information may have a negative impact on the evaluation of the offeror's proposal. The proposal should include at least the following information:

Tab 1 Experience and Reliability of the Firm

A. Provide a signed letter of interest, stating the firm or individual's interest and qualifications in providing these services; a brief history of the firm; the names of principals of the firm, and key individuals who will be assigned to work with 1GPA; include any professional membership(s) associations, societies and boards the firm or personnel may belong.

B. Provide a statement signed by the authorized individual indicating the full and complete understanding of the requirements and scope of work detailed within the RFP and the ability of the firm to comply with all terms, requirements, and conditions of resultant contract.

C Provide information on the resources of the firm – (i.e. number and types of certified staff, etc.). Include a description of the organizational structure and financial strength and other available resources.

D. Offeror shall provide a detailed section on previous accounts where same or similar services have been placed. It would be preferred to see a minimum of three references including the name of organization, address, contact person, phone number, scope of services provided.

E. Provide your firm's Service Provider Information Number (SPIN)

F. Provide the name and contact information including phone number and email address for any inquiries regarding the proposal.

G. Complete the Financial Disclosure Questionnaire, Page 38.

Tab 2 Experience of Key Personnel

A. The proposal should identify the key personnel that will be assigned to work under the contract, and should include a detailed resume or bio for each such individual. Each resume or bio should be in sufficient detail to analyze the proposed person's qualifications and should include education, training and related experience.

B. Provide copies of all licenses, certifications, and manufacturers' training certificates.

C. Describe if your firm will provide dedicated account representatives to 1GPA Members.

Tab 3 Products, Services, and Overall Strategy Offered

A. Offeror should explain which services they offer as described in the Scope of Work on page 29, Paragraph 4. Offeror should present a proposed method of satisfying the requirements of the Scope of Work as specified on pages 28 and 29. The method of approach should include a written narrative to demonstrate the offeror's ability to satisfy the Scope of Work. The language of the written narrative should be straightforward and limited to facts, solutions to problems, and plans of proposed action.

B. The offeror shall acknowledge that the services they are providing shall be consistent with the E-Rate Eligible Services List as presented on Pages 30 – 33 and will comply with any updates by the Federal Communications Commission's (FCC's) and the Universal Service Administrative Company (USAC) throughout the term of the contract.

Tab 4 Cost

A. A master price sheet is included as an Excel file with the solicitation document. There are 3 worksheets inside the Excel file "Cost Form – RFP 19-07PV": Sample Project Scope of Work (GREEN), Percent Discount Off MSRP (BLUE), and Service Rates (ORANGE). Return a copy of the completed Excel file on a flash drive. In addition, print a hardcopy of all three Excel forms and include them in this section of your proposal.

B. It is requested that pricing be submitted in the form of a percent off discount, off of a specified published price list for each manufacturer. Indicate manufacturer's name, date of price list, the list code or number identifying the price list, and a link to the manufacturer's online pricing. Provide all other price lists for products and services proposed in the offer on a flash drive. Fixed pricing is acceptable for labor rates, repair and installation services, travel charges and other reimbursable fees.

C. Any offering in which a manufacturer does not publish a price list from which to base discounts, shall be submitted with a letter from the manufacturer attesting to that fact, and shall be administered as fixed price contracts.

D. Provide separate quotes in offeror's standard format for the sample projects outlined in the Excel Cost Form. These projects are representative of typical projects, but are not intended to be complete, or include all products this contract intends to cover.

F. All associated labor for installation, project management, engineering, design, consulting, training, per deim travel (etc.), and maintenance should be included in pricing.

G. Prices shall not include 1GPA's administrative fee. The administrative fee should be added as a separate line item. Administrative fees are not reimbursable under E-rate.

Tab 5 Added Value/Marketing Plan

A. Specify if your firm can serve all of Arizona or list the regions of counties your firm serves.

B. 1GPA is interested in making this a national contract. Does your firm provide product and services in other States? If so is your firm willing to extend services through 1GPA to those States? Please list those States.

C. Provide a marketing plan and how volume will be tracked and reported to 1GPA.

D. Provide a list of other cooperative contracts held and how those contracts will affect your firm's potential contract with 1GPA if awarded.

Tab 6 Responsiveness

Overall responsiveness of the proposal in clearly stating and understanding the Scope of Work, and in providing all information required at proposal opening date.

A. Offerors shall complete and return the attached Proposal and Acceptance Form, Page 5
B. Offerors shall complete and return the Non-Collusion Affidavit, Page 39
C. Offerors shall complete and return the Edgar Certifications, Pages 40-44
D. Offerors shall complete and return the Debarment Certification, Page 45
E. Offerors shall complete and return the Texas Government Code (if applicable), Page 46
F. Offerors shall complete and return the HUB/ MWBE Certification, Page 47
G. Provide a sample Certificate of Insurance form similar to the sample, Page 48
H. Provide a signed IRS W-9 Form, Page 49
I. Provide proposal in electronic format per Bonfire Exhibit A Instructions, Page 50.
J. Addendum acknowledgement (if applicable): It is the offeror's responsibility to check AZ Purchasing and/or Public Purchase websites for applicable amendments:
   (1) www.azpurchasing.org
   (2) www.PublicPurchase.com

Offerors shall disclose if any exceptions and/or deviations are included per Page 7, Section 2, Paragraph D.

Tab 7 Miscellaneous

Provide any additional information or services that will improve your firm's overall Proposal.

FINANCIAL DISCLOSURE QUESTIONNAIRE – TAB 1

Offeror shall complete each item using attachments if necessary. Attachments shall indicate the item number and heading being referenced as it appears below. Please respond "Not Applicable", "N/A", or "none" as needed instead of leaving items blank. Failure to complete may result in the rejection of proposal as unresponsive:

1. Have any licenses / certifications ever been denied, revoked or suspended or provisionally issued within the past five years? If yes, please provide explanation.

2. List all judgments, arbitration awards and settlements against your firm within the last three (3) years arising from a lawsuit or claim of any nature.

3. Describe all unresolved claims, arbitration claims, lawsuits or bond claims brought by or against your firm. Include the name of all parties and a brief description of the nature of the dispute.

4. Has your firm made any filing under the United States Bankruptcy Code, assignment for the benefit of creditors or other measures taken for the protection against creditors during the last three (3) years?

5. If the Offeror's firm is a division or subsidiary of another firm, indicate below the name and address of the parent firm. Also include a description of the working relationship between the Offeror's firm and the parent firm. Specify what impact, if any, this relationship would have on the Offeror's firm's ability to meet the requirements for services described in this solicitation.

6. Has your company ever had a name change in the past? _____Yes _____No
   If yes, provide all prior name(s) your company has used and year(s) of operation.

7. Length of time your Company has been doing business in Arizona.

9. Does your firm have at least 5 years' experience working with public sector agencies (schools, cities, municipalities, etc.)?

10. What are the annual sales for the past 3 years for your firm?

2018: _____ 2017: _____ 2016: _____

Note: 1GPA reserves the right to request a copy of audited financial statements for the immediate past two fiscal years.

NON-COLLUSION AFFIDAVIT

State of _____ County of _____

_____ _____

Name Title

_____

Company Name

As an authorized representative of the persons, corporation, or company who makes the accompanying Proposal, and having first been duly sworn, I hereby depose and state as follows:

The accompanying Proposal is genuine, and such Offer is neither a sham nor collusive, nor is such Offer made in the interest or on behalf of any person or corporation not named herein.

The Offeror has not directly or indirectly induced or solicited any other Offeror to put in a sham or collusive bid, or induced or solicited any other Offeror to refrain from submitting an Offer.

The Offeror has not in any manner sought by collusion or anti-competitive means or practices to secure for itself advantage over any other Bidder.

Signed: _____

Title: _____

Subscribed and sworn to before me

This _____ day of _____, 20_____

_____

Signature of Notary Public in and for the

State of _____

County of _____

My Commission Expires on _____

EDGAR CERTIFICATIONS

The following certifications and provisions are required and apply when a 1GPA Member expends federal funds for any contract resulting from this procurement process. Accordingly, the parties agree that the following terms and conditions apply to the Contract between 1GPA, Member and awarded Vendor ("Vendor") in all situations where Vendor has been paid or will be paid with federal funds:

(A) Contractor Violation or Breach of Contract Terms

Contracts for more than the simplified acquisition threshold currently set at $150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

Pursuant to Federal Rule (A) above, when 1GPA Member expends federal funds, 1GPA reserves all rights and privileges under the applicable laws and regulations with respect to this procurement in the event of breach of contract by either party.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(B). Termination for Cause or Convenience

Termination for cause and for convenience by the grantee or subgrantee including the manner by which it will be effected and the basis for settlement. (All contracts in excess of $10,000)

Pursuant to Federal Rule (B) above, when 1GPA Member expends federal funds, 1GPA or its Member reserves the right to immediately terminate any agreement in excess of $10,000 resulting from this procurement process in the event of a breach or default of the agreement by Vendor in the event Vendor fails to: (1) meet schedules, deadlines, and/or delivery dates within the time specified in the procurement solicitation, contract, and/or a purchase order; (2) make any payments owed; or (3) otherwise perform in accordance with the contract and/or the procurement solicitation. 1GPA also reserves the right to terminate the contract immediately, with written notice to vendor, for convenience, if 1GPA believes, in its sole discretion that it is in the best interest of 1GPA to do so. Vendor will be compensated for work performed and accepted and goods accepted by 1GPA as of the termination date if the contract is terminated for convenience of 1GPA. Any award under this procurement process is not exclusive and 1GPA reserves the right to purchase goods and services from other vendors when it is in 1GPA's best interest.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(C). Equal Employment Opportunity

Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 must include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

Pursuant to Federal Rule (C) above, when 1GPA Member expends federal funds on any federally assisted construction contract, the equal opportunity clause is incorporated by reference herein.

Does Vendor agree to abide by the above? YES _____ Initials of Authorized Representative of Vendor

(D). Davis-Bacon Act

When required by Federal program legislation, contractor agrees that, for all prime construction contracts in excess of $2,000, contractor shall comply with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. Current prevailing wage determination issued by the Department of Labor are available at www.wdol.gov. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. Contractor further agrees that it shall also comply with the Copeland "Anti-Kickback" Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the

United States"). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The 1GPA Member must report all suspected or reported violations to the Federal awarding agency.

Pursuant to Federal Rule (D) above, when 1GPA Member expends federal funds during the term of an award for all contracts and subgrants for construction or repair, Vendor will be in compliance with all applicable Davis-Bacon Act provisions.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(E). Contract Work Hours and Safety Standards Act (40 U.S.C. 3701-3708)

Where applicable, all contracts awarded in excess of $100,000 that involve the employment of mechanics or laborers, Contractor agrees to comply with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 U.S.C. 3702 of the Act, each contractor is required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

Pursuant to Federal Rule (E) above, when 1GPA Members expends federal funds, Vendor certifies that Vendor will be in compliance with all applicable provisions of the Contract Work Hours and Safety Standards Act during the term of an award for all contracts by 1GPA resulting from this procurement process.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(F). Rights to Inventions Made Under a Contract or Agreement

If the Federal award meets the definition of "funding agreement" under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that "funding agreement," the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

Pursuant to Federal Rule (F) above, when federal funds are expended by 1GPA Member, Vendor certifies that during the term of an award for all contracts by 1GPA resulting from this procurement process, Vendor agrees to comply with all applicable requirements as referenced in Federal Rule (6) above.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(G) Clean Air Act and Federal Water Pollution Act

Clean Air Act (42 U.S.C. 7401-7671q.) and the Federal Water Pollution Control Act (33 U.S.C. 1251-1387), as amended—Contracts and subgrants of amounts in excess of $150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401-7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251- 1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

Pursuant to Federal Rule (G) above, when federal funds are expended by 1GPA Member, Vendor certifies that during the term of an award for all contracts by 1GPA resulting from this procurement process, Vendor agrees to comply with all applicable requirements as referenced in Federal Rule (G) above.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(H) Debarment and Suspension

Debarment and Suspension (Executive Orders 12549 and 12689)—A contract award (see 2 CFR 180.220) must not be made to parties listed on the government wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p. 235), "Debarment and Suspension." SAM Exclusions contains the

names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Pursuant to Federal Rule (H) above, when federal funds are expended by 1GPA Member, Vendor certifies that during the term of an award for all contracts by 1GPA resulting from this procurement process, Vendor certifies that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by any federal department or agency.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(I) Byrd Anti-Lobbying Amendment

Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award exceeding $100,000 must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C. 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award.

Pursuant to Federal Rule (I) above, when federal funds are expended by 1GPA Member, Vendor certifies that during the term and after the awarded term of an award for all contracts by 1GPA resulting from this procurement process, the vendor certifies that it is in compliance with all applicable provisions of the Byrd Anti-Lobbying Amendment (31 U.S.C. 1352). The undersigned further certifies that:

(1) No Federal appropriated funds have been paid or will be paid for on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of congress, or an employee of a Member of Congress in connection with this Federal grant or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all covered sub-awards exceeding $100,000 in Federal funds at all appropriate tiers and that all subrecipients shall certify and disclose accordingly.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

(J) Procurement of Recovered Materials

When federal funds are expended, Member and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include: (1) procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds $10,000 or the value of the quantity acquired during the preceding fiscal year exceeded $10,000; (2) procuring solid waste management services in a manner that maximizes energy and resource recovery; and (3) establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

Pursuant to Federal Rule (J) above, when federal funds are expended by the Member, as required by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. § 6962(c)(3)(A)(i)), the vendor certifies, by signing this document, that the percentage of recovered materials content for EPA-designated items to be delivered or used in the performance of the contract will be at least the amount required by the applicable contract specifications or other contractual requirements.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

EDGAR CERTIFICATIONS

RECORD RETENTION REQUIREMENTS FOR CONTRACTS INVOLVING FEDERAL FUNDS

When federal funds are expended by 1GPA Member for any contract resulting from this procurement process, Vendor certifies that it will comply with the record retention requirements detailed in 2 CFR § 200.333. Vendor further certifies that it will retain all records as required by 2 CFR § 200.333 for a period of three years after grantees or subgrantees submit final expenditure reports or quarterly or annual financial reports, as applicable, and all other pending matters are closed.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

CERTIFICATION OF COMPLIANCE WITH THE ENERGY POLICY AND CONSERVATION ACT

When 1GPA Member expends federal funds for any contract resulting from this procurement process, Vendor certifies that it will comply with the mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6321 et seq.; 49 C.F.R. Part 18).

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

CERTIFICATION OF EQUAL EMPLOYMENT STATEMENT

It is the policy of 1GPA not to discriminate on the basis of race, color, national origin, gender, limited English proficiency or handicapping conditions in its programs. Vendor agrees not to discriminate against any employee or applicant for employment to be employed in the performance of this Contract, with respect to hire, tenure, terms, conditions and privileges of employment, or a matter directly or indirectly related to employment, because of age (except where based on a bona fide occupational qualification), sex (except where based on a bona fide occupational qualification) or race, color, religion, national origin, or ancestry. Vendor further agrees that every subcontract entered into for the performance of this Contract shall contain a provision requiring non-discrimination in employment herein specified, binding upon each subcontractor. Breach of this covenant may be regarded as a material breach of the Contract.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

CERTIFICATION OF COMPLIANCE WITH BUY AMERICA PROVISIONS

1GPA has a preference for domestic end products for supplies acquired for use in the United States when spending federal funds (purchases that are made with non-federal funds or grants are excluded from the Buy America Act). Vendor certifies that it is in compliance with all applicable provisions of the Buy America Act.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

CERTIFICATION OF ACCESS TO RECORDS – 2 C.F.R. § 200.336

Vendor agrees that the District's Inspector General or any of their duly authorized representatives shall have access to any books, documents, papers and records of Vendor that are directly pertinent to Vendor's discharge of its obligations under the Contract for the purpose of making audits, examinations, excerpts, and transcriptions. The right also includes timely and reasonable access to Vendor's personnel for the purpose of interview and discussion relating to such documents.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

EDGAR CERTIFICATIONS

CERTIFICATION OF APPLICABILITY TO SUBCONTRACTRS

Vendor agrees that all contracts it awards pursuant to the Contract shall be bound by the foregoing terms and conditions.

Does Vendor agree? YES _____ Initials of Authorized Representative of Vendor

VENDOR AGREES TO COMPLY WITH ALL APPLICABLE FEDERAL, STATE, AND LOCAL LAWS, RULES, REGULATIONS, AND ORDINANCES. IT IS FURTHER ACKNOWLEDGED THAT VENDOR CERTIFIES COMPLIANCE WITH ALL PROVISIONS, LAWS, ACTS, REGULATIONS, ETC. AS SPECIFICALLY NOTED ABOVE.

Vendor's Name: _____

Address, City, State, and Zip Code: _____

Phone Number: _____ Fax Number: _____

Printed Name and Title of Authorized Representative: _____

Email Address: _____

Signature of Authorized Representative: _____

Date: _____

DEBARMENT CERTIFICATION

Neither my company nor an owner or principal of my company has been debarred, suspended or otherwise made ineligible for participation in Federal Assistance programs under Executive Order 12549, “Debarment and Suspension,” as described in the Federal Register and Rules and Regulations.

By signature below, I certify that the above is true, complete and accurate and that I am authorized by my company to make this certification.

Company Name

Signature of Authorized Company Official

Printed Name

Date

ANTITRUST CERTIFICATION STATEMENT

Texas Government Code
§2155.005

I affirm under penalty of perjury of the laws of the State of Texas that:

1. I am duly authorized to execute this contract on my own behalf or on behalf of the company, corporation, firm, partnership or individual (Company) listed below.
2. In connection with this bid, neither I nor any representative of the Company has violated any provision of the Texas Free Enterprise and Antitrust Act, Tex. Bus. & Comm. Code Chapter 15.
3. In connection with this bid, neither I nor any representative of the Company has violated any federal antitrust law; and
4. Neither I nor any representative of the company has directly or indirectly communicated any of the contents of this bid to a competitor of the company or any other company, corporation, firm, partnership, or individual engaged in the same line of business as the company listed.

Vendor Name _____
(Please Type or Print)

Address _____

_____

_____

_____

Phone _____ Fax _____

Email _____ Website _____

Name of Person Submitting Bid _____

Signature _____ Date _____

Position with Company _____

MINORITY/WOMEN BUSINESS ENTERPRISE (MWBE) AND HISTORICALLY UNDERUTILIZED BUSINESSES (HUB)

Bidding companies that have been certified as Historically Underutilized Business (HUB) or Minority/Women Business Enterprise (MWBE) entities are encouraged to indicate their HUB and MWBE status when responding to this Bid Invitation.

Vendor certifies that this firm is a MWBE (Required by some participating agencies)	☐ Yes	☐ No
Vendor certifies that this firm is a HUB (Required by some participating agencies)	☐ Yes	☐ No

Please scan a copy of MWBE and/or HUB certification letter and the percentage of your business with MWBE and/or HUB suppliers, if applicable, in your bid response in the Response Attachments section.

I, the authorized representative for the company named below, certify that the information concerning residency certification, and MWBE and HUB certifications have been reviewed by me and the information furnished is true to the best of my knowledge.

Contractor's Name/Company Name: _____

Address, City, State, and Zip Code: _____

Phone Number:_____ Fax Number: _____

Printed Name and Title of Authorized Representative: _____

Email Address: _____

Signature of Authorized Representative: _____ Date: _____

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)_____

PRIOR TO COMMENCING SERVICES UNDER THIS CONTRACT, THE CONTRACTOR MUST FURNISH THE MEMBER, CERTIFICATION FROM INSURER(S) FOR COVERAGES IN THE MINIMUM AMOUNTS AS STATED BELOW. THE COVERAGES SHALL BE MAINTAINED IN FULL FORCE AND EFFECT DURING THE TERM OF THIS CONTRACT, AND SHALL NOT SERVE TO LIMIT ANY OTHER CONTRACTOR OBLIGATIONS.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:		
	PHONE:	FAX:	
	E-MAIL ADDRESS:		
	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A:		
INSURED	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
	INSURER F:		

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	☐ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☐ OCCUR ☐ _____ ☐ _____ GEN'L AGGREGATE LIMIT APPLIES PER: ☐ POLICY ☐ PRO-JECT ☐ LOC ☐ OTHER:						EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS – COMP/OP AGG ☐	$ $ $ $ $ $ $
	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ ALL OWNED AUTOS ☐ SCHEDULED AUTOS ☐ HIRED AUTOS ☐ NON-OWNED AUTOS ☐						COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident) ☐	$ $ $ $ $
	☐ UMBRELLA LIAB ☐ OCCUR ☐ EXCESS LIAB ☐ CLAIMS-MADE ☐ DED ☐ RETENTION $						EACH OCCURRENCE AGGREGATE ☐	$ $ $
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/ EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N ☐ (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A					☐ PER STATUTE ☐ OTH-ER E.L. EACH ACCIDENT E.L. DISEASE-EA EMPLOYEE E.L. DISEASE-POLICY LIMIT	 $ $ $

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES

THE MEMBER SHALL BE ADDED AS ADDITIONAL INSURED AS REQUIRED BY STATUTE, CONTRACT, PURCHASE ORDER OR OTHERWISE REQUESTED. IT IS AGREED THAT ANY INSURANCE AVAILABLE TO THE NAMED INSURED SHALL BE PRIMARY OF OTHER SOURCES THAT MAY BE AVAILABLE. IT IS FURTHER AGREED THAT NO POLICY SHALL EXPIRE, BE CANCELLED OR MATERIALLY CHANGED TO AFFECT THE COVERAGE AVAILABLE TO THE MEMBER WITHOUT THIRTY (30) DAYS WRITTEN NOTICE TO THE MEMBER. THIS CERTIFICATE IS NOT VALID UNLESS COUNTERSIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE INSURANCE COMPANY.

CERTIFICATE HOLDER	CANCELLATION
1GPA 1910 W Washington Street Phoenix, AZ 85009	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE

ACORD 25 (2014/01)

Form **W-9**
(Rev. December 2014)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Print or type
See Specific Instructions on page 2.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification; check only **one** of the following seven boxes:

☐ Individual/sole proprietor or single-member LLC ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____

Note. For a single-member LLC that is disregarded, do not check LLC; check the appropriate box in the line above for the tax classification of the single-member owner.

☐ Other (see instructions) ▶

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the instructions for line 1 and the chart on page 4 for guidelines on whose number to enter.

Social security number

			–			–				

or

Employer identification number

		–							

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here | **Signature of U.S. person ▶** | **Date ▶**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. Information about developments affecting Form W-9 (such as legislation enacted after we release it) is at *www.irs.gov/fw9*.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following:

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See *What is backup withholding?* on page 2.

By signing the filled-out form, you:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct. See *What is FATCA reporting?* on page 2 for further information.

EXHIBIT A

BONFIRE SUBMISSION INSTRUCTIONS

Paradise Valley Unified School District utilizes an online public portal known as BONFIRE to accept electronic copies of proposals. Please be advised that in addition to the requested electronic submission through BONFIRE, an original (paper format) proposal is to be submitted by the proposal due date and time at the address listed on the cover of this document. Both paper and electronic proposals must be identical and contain the same documentation.

Please contact Bonfire at Support@GoBonfire.com for technical questions related to your submission or visit the help forum at https://bonfirehub.zendesk.com/hc.

Please follow these instructions to submit via the BONFIRE public portal.

1. Prepare your submission materials:

Requested Information/Document	*File Type/Format*	*Maximum # Files*
PROPOSAL	PDF (.pdf)	1
COST FORM - RFP 19-07PV	EXCEL (.xls)	1

- Note the type and number of files allowed. The maximum upload file size is 100 MB.
- **Do not embed** any documents within your uploaded files, as they will not be accessible or evaluated.

2. Upload your submission at: **https://pvschools.bonfirehub.com**

- Your submission must be uploaded, submitted, and finalized prior to the Closing Time of:

May 7, 2019 AT 1:00 P.M. ARIZONA TIME

- We strongly recommend that you give yourself sufficient time and at least **ONE (1) day** before Closing Time to begin the uploading process and to finalize your submission.

Important Notes:

- Each item of Requested Information/Document will only be visible after the Closing Time.
- Uploading large documents may take significant time, depending on the size of the file(s) and your Internet connection speed.
- You will receive an email confirmation receipt with a unique confirmation number once you finalize your submission.
- Minimum system requirements: Internet Explorer 8/9/10+, Google Chrome, or Mozilla Firefox. JavaScript must be enabled. Browser cookies must be enabled.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Matt Kakert, IT Operations Manager
Co-Submitter:	CJ Perry
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Approval of Cooperative Purchase Contract: Microsoft Enterprise Agreement Cooperative Purchase Contract in the amount not to exceed $235,229.30 (plus applicable taxes).

STAFF RECOMMENDED ACTION:

1. Approve a Cooperative Purchase Contract with CDW LLC. in an amount not to exceed $235,229.30 (plus applicable taxes) annually, for a period of three (3) years under the State of Arizona Cooperative Purchase Contract 1GPA ADSPO17-149774; and
2. Authorize the City Manager to execute the necessary documents.

Executive Summary:

The recommended award of the Cooperative Purchase Contract will allow for continued use of the Windows Operating Systems, Office 365 applications, and infrastructure. The above mentioned include Microsoft Office, Microsoft Windows Server, Microsoft Windows 10, Microsoft System Center, Microsoft Azure, and Microsoft SQL Server. This Cooperative Purchase Contract will incur an annual cost of $235,229.30 (plus applicable taxes) for a 3-year period.

Financial Impact:

This Cooperative Purchase Contract has a total cost not to exceed $235,229.30 (plus applicable taxes) annually, effective on November 1st, 2020. The charges from this Cooperative Purchase Contract is funded the General Fund, Information Technology Division account number in 001-01-014-0047-1-4343.

Policy Impact:

No impact.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Provide Exceptional Service: Provide employees tools, training, and support.

Has There Been Previous Council Decision on This:

None.

Options and Alternatives:

1. Approve the cost and terms of the proposed Cooperative Purchase Contract; or
2. Do not approve the cost and terms of the Cooperative Purchase Contract. The City will lose access to all Microsoft Licensing, including Office 365, Microsoft Windows 10, Microsoft Windows Server, Office 365 email, and many other applications.

Background/History:

The City of Flagstaff regularly utilizes State of Arizona cooperative purchase contracts to ensure the best pricing possible to keep services fiscally responsible. This Cooperative Purchase Contract will achieve the best possible pricing over a 3-year period, allowing for easier budget planning and cost savings each year.

Also, we have had a version of this Microsoft Enterprise Agreement for many years now, and there must be a newly adopted version.

Key Considerations:

This Cooperative Purchasing Contract will achieve the best possible pricing over a 3-year period. This will allow for easier budget planning and cost savings each year. Please note, that if we are unable to approve this new contract, we will lose all Microsoft provided services, which would prevent us from using Email, Office, Teams, Windows, or any of our Server products.

Attachments: Quote
Contract
Master Agreement
Extension

QUOTE CONFIRMATION

DEAR MATT KAKERT,

Thank you for considering CDW•G for your computing needs. The details of your quote are below. Click here to convert your quote to an order.

QUOTE #	QUOTE DATE	QUOTE REFERENCE	CUSTOMER #	GRAND TOTAL
LRBV499	9/29/2020	MICROSOFT EA	9860322	$251,460.14

QUOTE DETAILS

ITEM	QTY	CDW#	UNIT PRICE	EXT. PRICE
MS EA AZUREMNTRYCMMTMNTG SUBS Mfg. Part#: J5U-00001-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	1	4678936	$1,196.73	$1,196.73
MS EA M365 F3 GCC UNIFIED P/U Mfg. Part#: AAD-63092-12-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	50	5759147	$101.84	$5,092.00
MS EA M365 E3 GCC UNIFIED Mfg. Part#: AAD-34704-12-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	585	5489074	$343.82	$201,134.70
MS EA EMSE5FULLGCCTEMP P/U Mfg. Part#: MQY-00002-12-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	10	5378401	$63.79	$637.90
MS EA O365GOVE5 SHRDSVR ALNG SU MVL Mfg. Part#: T2N-00005-12-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	10	4574040	$157.97	$1,579.70
MS EA POWERAPPSPLANGCC P/U Mfg. Part#: SEL-00001-12-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	1	5830230	$421.25	$421.25
MS EA PROJECT P3 GCC P/USER Mfg. Part#: 7MS-00001-12-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	13	4381361	$268.55	$3,491.15
MS EA SQL SRV STD CORE SA Mfg. Part#: 7NQ-00292-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	18	2716749	$577.42	$10,393.56
MS EA VISIO P2 GCC P/USER Mfg. Part#: P3U-00001-12-SLG	17	3576069	$134.27	$2,282.59

QUOTE DETAILS (CONT.)				
Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)				
MS EA WIN RDS CAL SA USER SLG Mfg. Part#: 6VC-01254-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	50	2288626	$21.30	$1,065.00
MS EA WIN SVR DCCORE SA MVL Mfg. Part#: 9EA-00278-SLG Electronic distribution - NO MEDIA Contract: Arizona NVP Software (ADSPO17-149774)	64	4354663	$123.98	$7,934.72

PURCHASER BILLING INFO		
Billing Address: FLAGSTAFF CITY ACCOUNTS PAYABLE 211 W ASPEN AVE FLAGSTAFF, AZ 86001-5399 **Phone:** (928) 213-2354 **Payment Terms:** Net 30 Days-Govt State/Local	**SUBTOTAL**	$235,229.30
	SHIPPING	$0.00
	SALES TAX	$16,230.84
	GRAND TOTAL	**$251,460.14**
DELIVER TO	**Please remit payments to:**	
Shipping Address: FLAGSTAFF CITY MATT KAKERT 211 W ASPEN AVE FLAGSTAFF, AZ 86001-5399 **Phone:** (928) 213-2354 **Shipping Method:** ELECTRONIC DISTRIBUTION	CDW Government 75 Remittance Drive Suite 1515 Chicago, IL 60675-1515	

Need Assistance? CDW•G SALES CONTACT INFORMATION				
	John Trapani	|	(877) 325-9490	| johntra@cdwg.com

LEASE OPTIONS			
FMV TOTAL	**FMV LEASE OPTION**	**BO TOTAL**	**BO LEASE OPTION**
$235,229.30	**$6,242.99/Month**	**$235,229.30**	**$7,228.60/Month**

Monthly payment based on 36 month lease. Other terms and options are available. Contact your Account Manager for details. Payment quoted is subject to change.

Why finance?

• Lower Upfront Costs. Get the products you need without impacting cash flow. Preserve your working capital and existing credit line.

• Flexible Payment Terms. 100% financing with no money down, payment deferrals and payment schedules that match your company's business cycles.

• Predictable, Low Monthly Payments. Pay over time. Lease payments are fixed and can be tailored to your budget levels or revenue streams.

• Technology Refresh. Keep current technology with minimal financial impact or risk. Add-on or upgrade during the lease term and choose to return or purchase the equipment at end of lease.

• Bundle Costs. You can combine hardware, software, and services into a single transaction and pay for your software licenses over time! We know your challenges and understand the need for flexibility.

General Terms and Conditions:

This quote is not legally binding and is for discussion purposes only. The rates are estimate only and are based on a collection of industry data from numerous sources. All rates and financial quotes are subject to final review, approval, and documentation by our leasing partners. Payments above exclude all applicable taxes. Financing is subject to credit approval and review of final equipment and services configuration. Fair Market Value leases are structured with the assumption that the equipment has a residual value at the end of the lease term.

This quote is subject to CDW's Terms and Conditions of Sales and Service Projects at
http://www.cdwg.com/content/terms-conditions/product-sales.aspx
For more information, contact a CDW account manager

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COOPERATIVE PURCHASE CONTRACT
Contract No. 2021-40

This Cooperative Purchase Contract is made and entered into this _____ day of _____, 20_____by and between the City of Flagstaff, Arizona, a political subdivision of the State of Arizona ("City") and CDW Government, LLC, an Illinois Corporation, ("Contractor").

RECITALS:

A. Contractor has a State of Arizona Cooperative Purchasing Agreement (#ADSPO17-149774) which includes cooperative purchasing language for the purchase of Information Technology Equipment and Software Licenses, which was awarded through a competitive and open procurement process; and

B. The City has authority to enter into a cooperative purchase contract with Contractor utilizing the Agency Contract.

AGREEMENT:

NOW THEREFORE, in consideration for the mutual promises contained herein, the parties agree as follows:

1. Materials and or Services Purchased: Contractor shall provide to City the materials and or services, as specified in the Purchase Order(s) and/or Scope of Work submitted by the City in accordance with the Agency Contract. General description of materials and or services being purchased:

Microsoft Enterprise Agreement for Software

2. Specific Requirements of City: Contractor shall comply with all specific purchase and delivery requirements and/or options of City, as specified in the Purchase Order(s) submitted to Contractor or *Exhibit A* attached hereto and incorporated by reference.

3. Payment: Payment to the Contractor for the materials and or services provided in the initial year not to exceed the amount of two hundred fifty one thousand four hundred sixty dollars and fourteen cents **($251,460.14) including other fees and taxes** in the first fiscal year; pricing in subsequent years shall be in accordance with the price list and terms set forth in the Agency Contract.

4. Terms and Conditions of Agency Contract Apply: All provisions of the Agency Contract documents, including any amendments, are incorporated in and shall apply to this Contract as though fully set forth herein. The Agency Contract documents are set forth in *Exhibit B* attached hereto and incorporated by reference. Contractor is responsible for promptly notifying City in writing of any changes to the Agency Contract.

5. Certificates of Insurance: All insurance provisions of the Agency Contract shall apply, including any requirement to include the City as an additional insured. Prior to commencing performance under this Contract, Contractor shall furnish City with a copy of the current Certificate of Insurance required by the Agency Contract.

6. Term: This Cooperative Purchase Contract shall commence upon execution by the parties and shall continue until expiration or termination of the underlying Agency Contract, unless sooner terminated by City in writing.

7. Renewal: This Cooperative Purchase Contract shall be automatically renewed if the underlying Agency Contract is renewed, for the same renewal period, unless City provides advance written notice to Contractor of its intention to non-renew.

CONTRACTOR:

By:_____

Title:_____

CITY OF FLAGSTAFF

By:_____

Title:_____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney's Office

EXHIBIT A
SPECIFIC REQUIREMENTS OF CITY

See attached Quote (Scope of Work)

LRBV499.pdf

EXHIBIT B
AGENCY CONTRACT

State of Arizona Cooperative Purchasing Agreement (#ADSPO17-149774)

NASPO ValuePoint

formerly WSCA-NASPO

Software Value-Added Reseller (SVAR) Services
MASTER PRICE AGREEMENT

with

CDW Government LLC
Contract No. ADSPO16-130652

State of Arizona
Lead State

Effective: April 8, 2016 to April 7, 2018

	Offer and Acceptance		State of Arizona State Procurement Office 100 North 15th Avenue, Suite 201 Phoenix, AZ 85007
	SOLICITATION NO.: ADSPO16-00005829	PAGE 70	
	OFFFEROR: CDW Government LLC	OF 76	

OFFER

TO THE STATE OF ARIZONA:

The Undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, specifications and amendments in the Solicitation and any written exceptions in the offer. Signature also certifies Small Business status.

CDW Government LLC
Company Name

230 N Milwaukee Ave
Address

Vernon Hills | IL | 60061
City | State | Zip

Christina V. Rother
Signature of Person Authorized to Sign Offer

Christina V. Rother
Printed Name

President, CDW Government LLC
Title

Phone: 312.705.6285

Fax: 847.465.6800

E-Mail: ellharr@cdw.com

By signature in the Offer section above, the Offeror certifies:

1. The submission of the Offer did not involve collusion or other anticompetitive practices.
2. The Offeror shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 2009-9 or A.R.S. §§ 41-1461 through 1465.
3. The Offeror has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.
4. The Offeror certifies that the above referenced organization ___ IS/ X IS NOT a small business with less than 100 employees or has gross revenues of $4 million or less.

ACCEPTANCE OF OFFER

The Offer is hereby accepted.

The Contractor is now bound to sell the materials or services listed by the attached contract and based upon the solicitation, including all terms, conditions, specifications, amendments, etc., and the Contractor's Offer as accepted by the State.

This Contract shall henceforth be referred to as Contract No. Available upon Posting.

The effective date of the Contract is April 8, 2016.

The Contractor is cautioned not to commence any billable work or to provide any material or service under this contract until Contractor receives purchase order, contract release document or written notice to proceed.

State of Arizona
Awarded this 5th **day of** April 20 16

Procurement Officer

State of Arizona
State Procurement Office
100 North 15th Avenue, Suite 201
Phoenix, AZ 85007

Contract No: **ADSPO16-130652**
Description: **Software Value-Added Reseller (SVAR) Services**

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SECTION 4: Lead State (State of Arizona) Terms and Conditions....37

State of Arizona Special Terms and Conditions....37

State of Arizona Uniform Terms and Conditions....50

1.1 Purpose

The State of Arizona, State Procurement Office, is requesting proposals for Software Value-Added Reseller (SVAR) services in furtherance of the NASPO ValuePoint Cooperation Purchasing Program (NASPO ValuePoint). The purpose of this Request for Proposal (RFP) is to establish Master Agreements with qualified Offerors so that NASPO ValuePoint Cooperative Members may acquire Commercial off the Shelf Software (COTS) and related services from Software Value-Added Resellers.

The objective of this RFP is to obtain best value, and in some cases achieve more favorable pricing, than is obtainable by an individual state or local government entity because of the collective volume of potential purchases by numerous state and local government entities. The Master Agreement(s) resulting from this procurement may be used by state governments (including departments, agencies, institutions), institutions of higher education, political subdivisions (i.e., colleges, school districts, counties, cities, etc.), the District of Colombia, territories of the United States, and other eligible entities subject to approval of the individuals state procurement director and compliance with local statutory and regulatory provisions, as explained in section 3 of the NASPO ValuePoint Master Agreement Terms and Conditions. The initial term of the Master Agreement shall be two (2) years with renewal provisions as outlined in Section 3 of the NASPO ValuePoint Master Terms and Conditions (Section 4).

1.2 Lead State, Solicitation Number and Lead State Contract Administrator (LSCA)

The State of Arizona, State Procurement Office (SPO) is the Lead State and issuing office for this document and all subsequent addenda relating to it. This solicitation (RFP) is a competitive process, in accordance with the Arizona Procurement Code available at https://spo.az.gov/ . The Arizona Procurement Code is a compilation in one place of Arizona Revised Statutes (ARS) 41-2501 et seq. and administrative rules and regulations A.A.C R2-7-1010 et.seq. The Solicitation #ADSPO16-00005829 must be referred to on all proposals, correspondence, and documentation relating to this RFP.

The Lead State Contract Administrator (LSCA) identified below is the single point of contact during this procurement process. Offerors and interested persons shall direct to the Lead State Contract Administrator all questions concerning the procurement process, technical requirements of this RFP, contractual requirements, requests for brand approval, change, clarification, protests, the award process, and any other questions that may arise related to this solicitation and the resulting Master Agreement. The Lead State Contract Administrator (LSCA) designated by the State of Arizona, State Procurement Office is:

Charlotte Righetti, CPPB, CTNS State Procurement Manager
State of Arizona, State Procurement Office
100 N. 15th Avenue, Suite 201
Phoenix, Arizona 85007
Phone: (602)542.9127

1.3 NASPO ValuePoint Background Information

NASPO ValuePoint (formerly known as WSCA-NASPO) is a cooperative purchasing program of all 50 states, the District of Columbia and the territories of the United States. The Program is facilitated by the NASPO Cooperative Purchasing Organization LLC, a nonprofit subsidiary of the National Association of State Procurement Officials (NASPO), doing business as NASPO ValuePoint. NASPO is a non-profit association dedicated to strengthening the procurement community through education, research, and communication. It is made up of the directors of the central purchasing offices in each

of the 50 states, the District of Columbia and the territories of the United States. NASPO ValuePoint facilitates administration of the cooperative group contracting consortium of state chief procurement officials for the benefit of state departments, institutions, agencies, and political subdivisions and other eligible entities (i.e., colleges, school districts, counties, cities, some nonprofit organizations, etc.) for all states, the District of Columbia, and territories of the United States. For more information consult the following websites: www.naspovaluepoint.org and www.naspo.org .

1.4 Participating States

In addition to the Lead State conducting this solicitation, the Participating States listed below have requested to be named in this RFP as potential Users of the resulting Master Agreement. Other entities may become Participating Entities after award of the Master Agreement. State specific terms and conditions will govern each state's Participating Addendum that will govern each state's Participating Addendum. A listing of the Participating States can be found in Exhibit I.

1.5 Definitions – all capitalized terms in this document have the meaning as defined in AAC R2-7-101. Any capitalized term not defined in AAC R2-7-101 has the meaning defined below.

"Appliance" means a separate and discrete hardware device with integrated software (firmware), specifically designed to provide a specific computing resource. For the purposes of this solicitation only an "Appliance" which is the sole means of obtaining the Software product is allowable.

"Attachment" means any item the Solicitation requires an Offeror to submit as part of the Offer.

"Best and Final Offer (BAFO)" means a revision to an Offer submitted after negotiations are completed that contains the Offeror's most favorable terms for price, service, and products to be delivered.

"Commercial Off the Shelf" ("COTS") for the purposes of this solicitation means non-developmental software which has been created for specific uses and is available to the general public in the commercial marketplace. COTS products are designed to be implemented easily into existing systems without the need for customization.

"End-User License Agreement (EULA)" is a legal contract between the manufacturer (publisher) and the end User of an application that details how the software can and cannot be used.

"eProcurement (Electronic Procurement)" means conducting all or some of the procurement function over the Internet. Point, click, buy and ship Internet technology is replacing paper-based procurement and supply management business processes. Elements of eProcurement also include Invitation for Bids, Request for Proposals, and Request for Quotations.

"Excluded Software Publishers" means a Software Publisher who is unwilling to do business with a Reseller.

"Exhibit" means any document or object labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.

"Lead State Contract Administrator" ("LSCA") means the Procurement Officer for the Master Agreement.

"Master Agreement" ("MPA") means the contractual agreement executed between the winning (awarded) contractor (s) and the Lead State conducting the procurement on behalf of NASPO ValuePoint.

"Non-perpetual license" or Subscription License" is a temporary license that provides the right to use a particular licensed product until the end of the license-agreement term.

"Participating State Contract Administrator" ("PSCA") means the Procurement Officer for the Participating State.

"Perpetual license" means a license which is everlasting and valid if the software is being used in accordance with the license-agreement requirements.

"Person" means any corporation, business, individual, union, committee, club, or other organization or group of individuals

"Publisher" means a software manufacturer (e.g., Microsoft)

"Reseller" means a Software Value-Added Reseller who is awarded under this solicitation, and who has a fully-executed (MPA and PA-s) contract.

"Reseller Cost" means the price that the Reseller pays the Publisher or Distributor to purchase software on behalf of the Participating State. Reseller Cost should not include any administrative or other mark-up costs.

"Software" means the computer program, including media and associated documentation.

"Software Licensing" means allowing an individual or group to use a piece of software.

"Software Maintenance and Support" means any software upgrades, annual updates, patches and fixes needed to improve functionality and keep the software in working order.

"Solicitation Amendment" means a change to the Solicitation issued by the Procurement Officer.

"Volume License Agreements (VLAs)" means an agreement with a Software Publisher wherein the Participating State's total expected purchasing over a period of time is considered in establishing the discount level.

2.1 Software Value-Added Reseller ('Reseller' – "SVAR")

2.1.1 Software Value-Added Reseller ('Reseller' – "SVAR") shall be a large account reseller authorized to sell products direct from Key Software Publishers or authorized Distributors.

2.1.2 SVAR shall do the following:

2.1.2.1 Provide Commercial Off-the-Shelf-Software (COTS).

2.1.2.2 Honor existing Volume or Enterprise license agreements.

2.1.2.3 Offer maintenance and support packages on licenses already owned by the Participating State and other Purchasing Entities.

2.1.2.4 Advise the LSCA, each PSCA, and other Purchasing Entities of SVAR's channel partner status with Key Software Publishers.

2.1.2.5 Retain or enhance reseller certifications with software publishers - At a minimum, maintain Reseller certification levels held at time of award.

If Reseller's certification or reseller status is withdrawn or reduced, Reseller is required to immediately notify, in writing, the Lead State Contract Administrator (LSCA), each PSCA and other Purchasing Entities explaining:

- The change;
- The impact on their costs to obtain the product;
- Limitations on the products or services they may provide; and,
- The reasons for the change.

Failure to provide the required notification, regarding significant negative changes in their reseller status, may be grounds for suspension or cancellation of the MPA and PA's.

2.1.2.6 Provide Pre-Sale Advisement - **There shall be no charge for these services**:

2.1.2.6.1 Advise the Purchasing Entity in making strategic software application decisions by providing evaluation copies, product comparisons, needs analysis, product information and application recommendations.

2.1.2.6.2 Act as liaison between the Purchasing Entity and individual publishers in identifying best approaches and cost savings opportunities for the Purchasing Entity.

2.1.1.6.3 Examples of such advice would be:

- In selecting appropriate software;
- In explaining Volume License Agreements with complicated rules;
- In determining the most cost-effective buying strategies;
- In ensuring that Participating States and other Purchasing Entities are in compliance with licensing requirements; and,
- In finding software options to meet a specific need, for example, a flow-charting package.

2.1.2.7 Reseller shall negotiate to reduce Reseller Cost, to pass on savings to the Participating State and other Purchasing Entitites.

2.1.2.8 Provide assistance in explaining and developing Volume License and Enterprise Agreements.

2.1.2.9 Provide Software Installation Assistance.

2.1.2.9.1 Provide, at no additional cost, assistance or advice in basic installation or implementation of COTS product.

2.1.2.8.2 If the Purchasing Entity encounters difficulty in downloading or installing the software, the Reseller must provide assistance within eight (8) business hours of being informed of the problem.

2.1.2.10 Provide Software De-Installation Assistance.

2.1.2.11 Provide Tracking, Management, Usage Monitoring and Reporting of Licenses

2.1.2.11.1 Reseller shall have in place a product license inventory and asset management system, which will include an accurate inventory record of product licenses purchased under this Contract.

2.1.2.11.2 Reseller must also have the capability tracking maintenance renewal and other significant due dates.

2.1.2.11.3 At a minimum, this system shall be able to provide this information by Participating State and Purchasing Entity.

2.1.2.11.4 Reseller shall work with Participating State, other Purchasing Entities, publishers, previous and subsequent contract software resellers, and hardware computer contractors to ensure the most comprehensive record of licenses is created, maintained, and the information transferrable.

2.1.2.11.5 States may choose to award multiple PA's under this Agreement. Details on how licenses are to be tracked and managed under multiple awards will be determined by that awarding State.

2.1.2.11.6 As may be required by a Participating State, or other Purchasing Entity, Reseller shall work with NASPO ValuePoint computing equipment contractors, or a Participating State's comparable computer hardware contractor, to see that any software acquired under those contracts can be tracked through this contract.

2.1.2.12 Notify Participating State and Purchasing Entities of publisher publicly announced changes pertinent to User licensing.

2.1.3 SVAR shall Develop and Maintain Website

2.1.3.1 *For Participating States*, Reseller shall develop and support a website specific to that State, with content approved from the LSCA or PSCA as appropriate based on content.

2.1.3.1.1 This web site information shall be available through the Internet without the use of additional software or licenses.

2.1.3.1.2 Website should be User friendly to allow for quick and easy access and use.

2.1.3.1.3 Website shall be available 24 x 7, except for scheduled maintenance.

2.1.3.1.4 Website shall be ADA compliant.

2.1.3.1.5 No costs or expenses associated with providing this information shall be charged to the States.

2.1.3.1.6 Universal Resource Locator (URL) for the website must be supplied to the PSCA and the LSCA within sixty (60) days of the execution of the PA.

2.1.3.1.7 The website will include contract information, product information/catalog, the capability to generate online reports, and other pertinent information as may be reasonably requested by States, such as copies of VLAs.

2.1.3.1.8 *Publisher Notifications and Other Industry Information*. In the event that a publisher publicly announces changes that are pertinent to User licensing, the Reseller shall assist Users by posting the information on the state websites.

2.1.3.1.9 Reseller shall provide, at no additional cost, training on how to use their website and how to use this contract in obtaining quotes and placing orders. Online training should be available on the website, but supplementary electronic (e.g. Webinars, emails), telephone or on-site training should be provided, as needed, during standard working hours.

2.1.3.2 *Contract and General Information*. The website shall provide contract and ordering information to include, at a minimum:

2.1.3.2.1 The contract number(s) (MPA and PA);

2.1.3.3.2 The Reseller primary contact and contacts to whom incidents are to be escalated:

- Name(s and titles
- Areas of responsibility for each contact name;
- Phone number(s); and,
- Email address(es).

2.1.3.3.3 Information on use of website,

2.1.3.3.4 Quote and ordering information; and,

2.1.3.3.5 Notifications regarding publishers and products, such as pending key product changes or upgrades.

2.1.3.3 *Online Catalog*

2.1.3.3.1 Reseller shall provide COTS software, and software maintenance of new or existing licensed software, under this contract. Information on approved products, customized by Participating State, will be available through an online catalog and through Reseller's representatives either through email or telephone inquiry during the standard working hours of the Participating State. The online catalog shall provide an expansive list

of products allowed per the contracts, particularly those products of itemized publishers.

2.1.3.3.2 The website shall provide contract and ordering information to include, at a minimum: publishers, product names, standard product pricing, and product descriptions (photos optional or links to access product literature). Regardless of the number and types of links to the Reseller's electronic catalog, the Reseller shall ensure that all eligible agencies purchasing under one PA are accessing the same current base version of the product catalog. Online information shall include purchases of Volume or Enterprise License Agreement software as well as individual COTS software licenses.

2.1.3.3.3 Online catalog shall be restricted to just software. Non-authorized products or groups of products shall not be on the website. Reseller shall not use this proposed website to cross sell or cross advertise other products and or services the Reseller may be able to offer.

2.1.3.4 *Product Searching Capability*. At a minimum, the online catalog should be searchable by Purchasing Entity and their VLAs, Software Publisher, Product name, OEM product number, and software description (e.g., GIS, Security). The online category can be modified as Users' needs dictate, such as including products obtained through a distributor (non-itemized publisher products) that are frequently purchased.

2.1.3.5 *Online Product Quotes*. Product price displayed online is a 'not-to-exceed' product price quote based on contract rate and real time Reseller Cost. For high dollar purchases, or quantity purchases, Purchasing Entity should request a quote by contacting Reseller representative off-line. The online pricing should allow for overrides when a quote with a negotiated better price has been offered and is being placed online. Website should have capability to track all quotes by Purchasing Entity and be easily accessible for viewing by quote number. Website shall include a shopping cart feature that allows Purchasing Entities to provide shipping instructions. Purchasing Entities can place orders on the web either via credit card or purchase order. Specifics regarding an individual state's requirements for placing an order may be included in that State's Participating Addendum (PA).

2.1.3.6 *User Differentiation*. Catalog should be designed so as to provide a means to identify the Participating State (state agency or other eligible Purchasing Entity). This method used must not require any administrative tasks on the part of the LSCA for the MPA, the PSCA for the individual PSCA. Website should allow Users to develop personal lists and profiles, including an option to securely store and maintain procurement card information. Catalog should have the capability of being used as a 'Punch Out' to an individual state's electronic purchasing system.

2.1.3.7 *Online Reports*. Website shall have capability to provide order history, as well as order status and order tracking.

2.1.3.8 *Other*. Other information may be added to the website as may be required by State (such as copies of volume license agreements) or enhancements that may be proposed by Reseller and approved by State.

2.2 COTS Products

2.2.1 Software which requires little or no services

	IN SCOPE Offerings		OUT OF SCOPE Offerings
LICENSING TYPE	COTS	Individual Licensing Volume Licensing Enterprise Licensing	Custom/Customized
LICENSING PERIOD	Perpetual	Subscription	*none*
Delivery	Shrink-Wrap	Download	*none*
HOSTING as part of delivery & use.	On Premise	Off Premise	*Managed Service* *Managed Services means the proactive management of an IT (Information Technology) asset or object, by a third party typically known as a MSP, on behalf of a customer* *mspalliance.com/**definition**-of-**managed-services**/*

2.2.1.1 Most Current Version - Purchase orders shall be deemed to reference a manufacturer's most recent release model or version of the product at the time of the order, unless the Purchasing Entity specifically requests in writing an earlier model or version and the Reseller is willing to provide such model or version.

2.2.1.2 Licenses and Maintenance Agreements

2.2.1.2.1 *Volume License Agreements (VLA) and Enterprise License Agreements (ELA)*

The Reseller will honor existing Participating State's VLA's or ELA's with publishers and include those licenses as part of the Reseller's license tracking service. Following an executed PA with a Participating State, and if so required by the Participating State, the Purchasing Entity and/or an individual publisher, the Reseller will identify itself to software publishers as Reseller for that Participating State or Purchasing Entity. If so required by the Publisher and Participating State, Reseller will execute a change of channel partner agreement with the Publisher. Resellers will sell additional seats consistent with Purchasing Entities' Enterprise or Volume Agreements. Reseller will work with Participating State, Purchasing Entity(ies) and Publishers as needed to establish new VLAs or ELAs. The Reseller will work with the Publisher and Participating State as necessary to ensure the Participating State receives timely and pertinent license information, such as: license or agreement renewals, or opportunities based on actual volume.

Reseller will work directly with Purchasing Entity(ies) in establishing, signing and maintaining enrollment agreements. If Reseller is sole SVAR contractor in a State, Reseller will aggregate all enrollments together for

Master Agreement reporting purposes. If a PSCA elects to have multiple SVAR contractors, Reseller's responsibilities will be delineated in that State's PA. Resellers shall monitor and be able to report on the current levels of software ordered towards any of the Participating State's VLA required sales levels to ensure the Participating State does not fall short and thereby incur Publisher penalties. The Reseller shall be responsible for providing license usage information to the Publishers, if such information is required by the Publishers, in a timely manner (e.g., for 'true up' assessments)

2.2.1.2.2 *Individual Software Licenses*. Purchasing Entities can purchase individual COTS licenses, such as perpetual and non-perpetual licenses, through the Reseller.

2.2.1.3 Software Maintenance and Support Agreements.

Purchasing Entities can purchase maintenance agreements, including upgrade protection, through the Reseller. Resellers will sell software maintenance agreements, even if the software was not purchased under this agreement, such as on-going support for a User's existing perpetual license. As requested, Reseller will explain what product support or services are included in a publisher's maintenance agreement.

2.2.1.3.1 *Software Maintenance and Support***.** Reseller to provide needed services to support maintenance products such maintenance agreements, software upgrades, annual updates, patches and fixes needed to improve functionality and keep the software in working order. Such services may include providing recommendations on most cost-effective or appropriate long-term maintenance plan. Reseller will provide such support, not only to maintenance packages purchases under this agreement, but in support of any existing and current agreements.

2.2.1.3.2 *Software Updates*.

2.2.1.3.2.1 Users are eligible to receive, from the Publisher, all new releases and updates of the software, at no additional charge, while under a maintenance agreement. A "Release" means any collection of enhancements or updates which the Publisher generally makes available to its installed base of customers of such programs. The Reseller shall assist the Purchasing Entity to obtain such releases or updates for their Users from the Publisher.

2.2.1.3.2.2 Should a User not want to receive the next upgrade, the User shall so notify the respective Publisher.

2.2.1.3.3 *License Confirmations*
For licenses ordered under the contract by Purchasing Entity(ies), Reseller shall be able to provide:

(i) Certified Licensing Confirmation Certificates for all software licenses;
(ii) Reseller's certified license confirmation certificates in the name of such Licensee; or,
(iii) Written confirmation from the Reseller or Publisher accepting the Eligible Participating State's contract or purchase order as proof of license.

The form of "Proof of License" provided must be acceptable proof to the Publisher, and in the format requested by the Purchasing Entity. The Proof of License shall be provided as an electronic file and/or a hardcopy document, as required by the Purchasing Entity. Reseller will retain an electronic file of Participating State's Proof of Licenses and provide copies to the Participating State as requested.

2.2.1.3.4 *Transitioning License Tracking Information at Contract Termination*
The license information data acquired and retained by Reseller will be stored as sortable data fields so the license information can be transferred to the Participating State upon contract termination. Reseller will work with States and Participating Entities, or their designees, to ensure that the license information data has been successfully transferred in a usable format.

2.2.1.4 Leases
Lease purchase and term leases are allowable only for Purchasing States whose rules and regulations permit leasing of software. Individual Purchasing Entities may enter into a lease agreement for the products covered in this Master Agreement, if they have the legal authority to enter into these types of agreements without going through a competitive process. No lease agreements will be reviewed or evaluated as part of this RFP evaluation process.

2.2.1.5 Software Publishers, Categories. The identified software product needs under this solicitation have been divided into three tiers: Key Itemized Publishers, Other Itemized Publishers, and Non-Itemized Publishers. See descriptions and chart which follow. As indicated, it is most desirable for Reseller to have a direct reseller agreement with the itemized software publishers. If a direct reseller agreement is not already in place between itemized software publishers and the Reseller, the Reseller is expected to enter into a direct reseller agreement and submit a rate for that itemized publisher that is better than the rate for a Non-Itemized Publisher**.** Over the life of this contract, product needs or volumes may change and new publishers may be added by amendment to the itemized publishers' lists.

2.2.1.5.1 *Itemized Highest Volume Publishers (Highest Volume, Itemized Lines).*
The products of the publishers in this category represent the highest tier of sales volume identified for this solicitation, of those publishers who sell through resellers. This category is the one most likely to include a Participating State's enterprise or high volume agreements with a publisher. Resellers shall be certified direct resellers for publishers in this

category. The preferred pricing that a Reseller receives based on their reseller certification status, in conjunction with the anticipated considerable volume of purchases through these Contracts, is the expected foundation for a very competitive base Reseller Cost, with further reductions of Reseller Cost as they are achieved through ongoing Reseller negotiations. A percentage rate above or below Reseller Cost is to be provided for each itemized publisher. Specific requirements may be required for some publishers in this category in an individual State's PA.

2.2.1.5.2 *Other Itemized Publishers (High Volume, Itemized Lines).* The products of the publishers in this category represent a high level of sales volume as identified for this solicitation. This category may include a Participating State's high volume agreements or VLAs with a publisher. It is desirable for Resellers to be certified direct resellers for publishers in this category. A percentage rate above or below Reseller Cost is to be provided for each itemized publisher

2.2.1.5.3 *Non-Itemized Publishers (all other distributed software purchases).* This category is defined to include all other distributed computer software not specifically itemized. Enterprise or Volume Licensing Agreements are not anticipated in this category. New or existing software products can be added to this category at any time during the term of the Contract without the written consent of the LSCA and may be itemized in the online catalog, if volume justifies the addition. There should be one percentage rate above or below Reseller cost covering all products in this category

KEY ITEMIZED PUBLISHERS Certification as Direct Reseller.	**OTHER ITEMIZED PUBLISHERS** Certification as direct reseller desirable. If not certified, the percentage rate should be no greater than Non-Itemized rate	**NON-ITEMIZED PUBLISHER** One 'not to exceed' rate
ADOBE	AI SQUARED	
CITRIX	AIRWATCH MOBILE DEVICE MANAGEMENT VMWARE	
MICROSOFT	ALLIANCE ENTERPRISES	
NOVELL	APPLE	
SYMANTEC	ATTACHMATE – MICROFOCUS	
VMWARE	AUTODESK	
	AUTONOMY – HP	
	BAKBONE – DELL	
	BARRACUDA	
	BOMGAR REMOTE SOFTWARE	
	CA TECHNOLOGIES	
	CISCO	
	COMPUTRONIX USA	

	COMPUWARE	
	COREL	
	DOUBLETAKE	
	EMC	
	ENCHOICE	
	ESET	
	ESRI	
	FREEDOM SCIENTIFIC	
	GUARDIAN EDGE – SYMANTEC	
	GW MICRO	
	IBM	
	ICM CONVERSIONS	
	INFOR	
	INTERMEDIX EMSYSTEMS	
	HP	
	HUMANWARE	
	INFORMATION BUILDERS	
	KRONOS SOFTWARE	
	LANDESK	
	LASERFISCHE	
	LIQUIDWARE STATUSPHERE	
	MICROFOCUS INC	
	MINJET	
	MPS	
	MQSOFTWARE – BMC SOFTWARE	
	NCIRCLE	
	NETOP	
	NUANCE	
	ORACLE	
	OSAM	
	PASSPORT	
	PATCHLINK	
	PROOFPOINT	
	RSA SECURITY	
	REFERENCIA SYSTEMS	
	SAP AMERICA	
	SAS	
	SOLUTIONS SOFTWARE	
	SOPHOS	
	SPLUNK SOFTWARE	
	STASEEKER NETWORK INFRASTRUCTURE MONITORING	
	STELLENT – ORACLE	

	SUNGUARD	
	SYBASE	
	TECHSMITH	
	TREND MICRO	
	TRUSTWARE	
	ULTRABAC	
	VORMETRIC	
	WEBSENSE	

2.2.1.6 Software Publishers, General Representation.

2.2.1.6.1 *Excluded Software Publishers*. The Reseller must agree that there are no software publishers with whom they will refuse to do business if the Software Publisher is willing to do business with them. Resellers shall advise the LSCA or designee of any Excluded Software Publishers and provide explanations for the non-representation.

2.2.1.6.2 *Expanded Representation*. The Reseller is expected to continue to work towards reseller certifications with publishers not currently represented, particularly with those publishers whose sales volume merit classification into the itemized publisher lines. Similarly, Reseller is expected to continue to work towards a higher certification level with current publishers

2.2.1.7 Price Quote, General**.** Pricing is submitted in the MPA as a percentage of Reseller Cost. Individual PA's will use the MPA pricing as a base and may negotiate an adjusted rate. Any negotiated PA rates, exclusive of taxes or any individual state's administrative fee, shall not exceed the MPA rates. As requested by Purchasing Entity, for example on a high volume single order, Reseller shall negotiate to reduce Reseller Cost, to pass on savings to the Participating State. Firm individual order quotes shall be provided to Purchasing Entity prior to order submittal.

2.2.1.7.1 *Telephone or Email Quote Support*. Reseller shall accept requests for quotes by telephone, fax, email, or online. Reseller shall accept collect telephone calls and/or provide and maintain a toll-free number for eligible agency use. Reseller shall provide an email address for receipt of requests for price quotes. Reseller shall provide written quotes by fax, email or online as requested by the Participating State.

2.2.1.7.2 *Quoted Delivery Method*. The quote must clearly indicate the method of delivery, whether via media, download, or **3.3 Services** below.

2.2.1.7.3 *Timely Quotes*. Reseller agrees to work with publishers and distributors to obtain quotes and deliver software in a timely fashion. Expected response should be within twenty-four (24) hours but no more than three (3) business days. If, after three (3) business days, the Reseller has been unable to obtain the quote or assurances that

they can obtain the software, the Reseller shall contact the Participating State or other Purchasing Entity with a status report. The Reseller and the Participating State/Purchasing Entity will mutually agree as to whether the Reseller shall continue to pursue a quote and within what timeframe, or whether the Reseller will provide the Participating State/Purchasing Entity with a written statement that the Reseller cannot supply the software. If the Reseller has been unable to obtain a quote within ten (10) days of the request for quote, the Reseller shall provide a written statement (email is sufficient) to Participating State/Purchasing Entity, and the LSCA as may be required under the PA, that the Reseller cannot supply the software, and the reason why.

2.2.1.7.4 *Guaranteed 30 Day Quote*. Reseller is required to honor all quotes for thirty (30) calendar days. If it is known that a price adjustment will occur during the thirty (30) calendar days following the quote, the Reseller may provide two quotes, based upon the date that the order is received.

2.2.1.7.5 *Sales Promotion*. The Reseller may conduct sales promotions involving specific products or groups of products for specified time periods. If electing to exercise this provision, the Reseller shall submit a formal request for approval to the LSCA. The request should include: the product or product groups, the promotional price as compared to the standard price and the Master Agreement price for the product or product groups, and the start and end dates of the sales promotion. LSCA's approval shall be in the form of an amendment to the MPA. Upon approval, the Reseller shall provide conspicuous notice of the promotion to all Participating Entities.

2.2.1.7.6 A Participating State or other Participating Entity may allow the Contractor to charge a credit card fee in their Participating Addendum.

2.2.1.8 Product Delivery and Returns

2.2.1.8.1 Media. The Reseller shall work with Participating State or other Purchasing Entity to provide media via any method available and as requested by the Participating State including, but not limited to: original Publisher media, CD copies of master media duplicated by the Reseller, electronic downloads, etc. In cases where original publisher's media is not available, the Reseller shall provide CD's copied from master disks of the software purchased under any volume or enterprise license agreement.

2.2.1.8.2 Delivery Period. Reseller to provide delivery no longer than ten (10) business days after receipt of a valid order unless conditions arise that are outside the control of the Reseller. If delivery cannot be within this time frame, Reseller is to notify Purchasing Entity of delay and anticipated

ship date. If this delayed delivery is unacceptable to Purchasing Entity, the order can be cancelled without penalty.

2.2.1.8.3 Product Returns. Unopened software can be returned with no restocking fee up to 30 days from date of receipt, if allowed by the software publisher. If the software publisher has a shorter timeframe for returns or requires a restocking fee, this must be stated on the quote. If that information is not provided to the Participating State by the Reseller, Reseller is responsible for the restocking fee. If delivered software is defective, or if the incorrect product was delivered, the Reseller must agree to accept returns. If delivered software is defective, the Reseller is responsible for return shipping and packaging costs and for restocking charges if applicable. The Reseller must agree that any defective or incorrectly delivered media will be replaced by overnight delivery at the Reseller's expense if requested by the Participating State or Purchasing Entity. If overnight delivery is not requested, all replacement products must be received by the Participating State or Purchasing Entity within seven (7) days of initial notification.

2.2.1.8.4 Shipping Charges. Items covered under this contract are FOB Destination and shipping charges are not to be included on any invoice unless the Purchasing Entity has ordered expedited shipment. For expedited shipment, Purchasing Entity would submit their order including related shipping charges, which may not exceed the cost of delivery by the carrier.

2.3 Services

	IN SCOPE		OUT OF SCOPE
SOFTWARE & LICENSING TYPE	COTS	Volume Licensing	Custom/Customized
LICENSING PERIOD	Perpetual	Subscription	Not Applicable
Delivery	Shrink-Wrap	Download	Not Applicable
Hosting as part of delivery & use	On-Premise	Off-Premise	Managed Services
SERVICES	Basic Installation, Training and Maintenance *Means that activity which does not require Consulting, Configuration, Engineering, Design or any other type of service specific to a Purchasing Entity requiring description of tasks and deliverables and agreement by the parties (Statement of Work).*		Consulting, configuration, engineering, design, etc., any type of service specific to a Purchasing Entity requiring description of tasks and deliverables and agreement by the parties

2.3.1 In Scope Services:
Basic Installation, Maintenance packages and Training (3.4) are considered to be within the Scope of this Solicitation. This Master Agreement is intended for the acquisition of distributed, commercial off the shelf software

2.3.2 (***RESERVED)***

2.3.3 A Participating State may include a statement in their Participating Addendum allowing state employees to purchase software licenses.

2.3.4 Individual Participating Addendums may further limit the Scope of this Solicitation.

2.3.5 This Master Agreement is not intended for the purchase of custom software applications.

2.4 Training.

2.4.1 Training shall be available in the form of tutorials for basic installation and web-based training for software operation, basic phone support.

2.4.2 Provision of information on how to access a Software Publisher's "Help Desk" (either telecom or web-based) for basic use questions.

2.5 Customer Service and Representation.

2.5.1 *Dedicated Representation and Timely Response*. Reseller shall provide a dedicated representative for each Participating State. Such representative will become familiar with the State and its cooperative partners, provide a single point as needed for quote assistance, offer software recommendations, track and report on renewal deadlines, and serve as a contact point for the LSCA. **Reseller must commit to returning phone calls or responding to emails within two (2) business days**.

2.5.2 *Problem Escalation*. The Reseller must provide an incident escalation path for each State, showing on that State's website, the name, contact information, and role of individuals to whom problems should be escalated if the problems are not resolved by primary assigned contacts.

2.5.3 *Product purchasing trends*. **The Reseller will speak with LSCA and sourcing team quarterly** to review usage and discuss possible revisions of the categorization of publishers based upon actual sales volume or other changes.

2.5.4 *Contract Reviews*.

2.5.4.1 Reseller is expected to conduct **quarterly reviews** of all sales volumes and report sales figures and savings from Publisher's list price, by Publisher and by PA, as well as observed trends or purchasing patterns, and **to present the information to the LSCA**.

2.5.4.2 At the discretion of the individual participating states, an equivalent review, limited to that state, will be presented to the PSCA.

2.5.4.3 **All awardees under this contract shall meet once a year with the LSCA and Sourcing Team** to review usage and discuss possible revisions of the categorization of publishers based upon actual sales volume, and to discuss any service concerns, industry trends, and the effectiveness of the contract.

2.5.4.3.1 Reseller is expected to **conduct a customer satisfaction survey** and an audit prior to this discussion and be prepared to discuss the results, and

provide reports, at this review. At a minimum, the audit will report address quoting and billing accuracy, and any Reseller Cost that exceeds a Publisher's List price for that item.

2.5.4.3.2 Based on historical sales volume information, Reseller should be prepared to discuss potential cost savings opportunities which could be passed through to Participating States.

2.5.4.3.2 In a renewal year, the annual review will take place prior to contract extensions.

2.6. Interactions with Software Publishers

2.6.1 *Best Interests of Participating State*. Reseller would represent the best interests of the Participating State and other Participating Entities in negotiating or otherwise working with Publishers for such items as: maximizing cost savings with best use of volume or enterprise license agreements, better pricing on individual volume buys, taking advantage of publishers' specials, promotions, coupons or other savings opportunities.

2.6.2 *Liaison with Publisher*. A State may establish, in their individual PA, a requirement for Reseller to arrange with the software publisher or software publisher's designee for implementation, customization, training, support, maintenance and other software related services. **The provision of said services must be under a separate agreement between the Participating State and the applicable parties**.

2.7 Reporting

2.7.1 Standard Reports
Individual participating states may require their own standard reports, such as report on savings. Reseller shall provide these reports at the intervals, and in the format, as reasonably requested by the States. Reseller shall advise of standard reports which they can provide, and work with participating states on additional standard reports.

2.7.2 Online Reports
The SVAR shall be able to provide online, real time, reporting capabilities using website established for the state. These reports may include Back Order or Current Order Status reports. In addition, the system shall be able to provide the ability for the User agency to create custom reports. The requesting Participating State shall be able to select specific fields and create a necessary report for their specific needs. Data Fields shall include, but not be limited to, purchasing entity, Purchase Order Number, Order date, Invoice date, Publisher, Publisher Part Number, Software Reseller's Part Number, Description, Quantity Shipped, Unit actual price, Extended Price, Sales Tax and order total. Reports shall be able to be shown online as well as emailed to the requesting Participating State, if requested. Examples of Reseller's standard and online reports shall be submitted with the offer.

2.7.3 Custom Reports

Participating State and SVAR may mutually agree to include terms and conditions and pricing for the development and provision of customized reports as an optional service in a Participating Addendum.

2.8 Other Value-Added Services

SVAR may propose other Value-Added Services, e.g., key escrow, in their response. Such services from an awarded Offeror, if consistent with this Statement of Work, recommended by the Evaluation Team, and accepted by the PSCA, would be added to the final awarded contract.

1. Master Agreement Order of Precedence

a. Any Order placed under this Master Agreement shall consist of the following documents:
(1) A Participating State's Participating Addendum ("PA");
(2) NASPO ValuePoint Master Agreement Terms & Conditions;
(3) A Purchase Order issued against the Master Agreement;
(4) The Statement of Work;
(5) The Solicitation; and
(6) Contractor's response to the Solicitation, as revised (if permitted) and accepted by the Lead State.

b. These documents shall be read to be consistent and complementary. Any conflict among these documents shall be resolved by giving priority to these documents in the order listed above. Contractor terms and conditions that apply to this Master Agreement are only those that are expressly accepted by the Lead State and must be in writing and attached to this Master Agreement as an Exhibit or Attachment.

2. Definitions

Acceptance is defined by the applicable commercial code, except Acceptance of a Product fo which acceptance testing is not required shall not occur before the completion of delivery in accordance with the Order, installation, if required, and a reasonable time for inspection of the Product.

Contractor means the person or entity delivering Products or performing services under the terms and conditions set forth in this Master Agreement.

Embedded Software means one or more software applications which permanently reside on a computing device.

Intellectual Property means any and all patents, copyrights, service marks, trademarks, trade secrets, trade names, patentable inventions, or other similar proprietary rights, in tangible or intangible form, and all rights, title, and interest therein.

Lead State means the State centrally administering any resulting Master Agreement(s).

Master Agreement means the underlying agreement executed by and between the Lead State, acting on behalf of the NASPO ValuePoint program, and the Contractor, as now or hereafter amended.

NASPO ValuePoint is the NASPO Cooperative Purchasing Organization LLC, doing business as NASPO ValuePoint, a 501(c)(3) limited liability company that is a subsidiary organization the National Association of State Procurement Officials (NASPO), the sole member of NASPO ValuePoint. NASPO ValuePoint facilitates administration of the NASPO cooperative group contracting consortium of state chief procurement officials for the benefit of state departments, institutions, agencies, and political subdivisions and other eligible entities (i.e., colleges, school districts, counties, cities, some nonprofit organizations, etc.) for all states and the District of Columbia. NASPO ValuePoint is identified in the Master Agreement as the recipient of reports and may perform contract administration functions relating to collecting and receiving reports as well as other contract administration functions as assigned by the Lead State.

Order or **Purchase Order** means any purchase order, sales order, contract or other document used by a Purchasing Entity to order the Products.

Participating Addendum means a bilateral agreement executed by a Contractor and a Participating State incorporating this Master Agreement and any other additional Participating State specific language or other requirements, e.g. ordering procedures specific to the Participating State, other terms and conditions.

Participating State means a state, or other legal entity, properly authorized to enter into a Participating Addendum.

Participating State means a state, the District of Columbia, or one of the territories of the United States that is listed in the Request for Proposal as intending to participate. A Participating State is not required to participate through execution of a Participating Addendum. Upon execution of the Participating Addendum, a Participating State becomes a Participating State.

Product means any equipment, software (including embedded software), documentation, service or other deliverable supplied or created by the Contractor pursuant to this Master Agreement. The term Products, supplies and services, and products and services are used interchangeably in these terms and conditions.

Purchasing Entity means a state, city, county, district, other political subdivision of a State, and a nonprofit organization under the laws of some states if authorized by a Participating Addendum, who issues a Purchase Order against the Master Agreement and becomes financially committed to the purchase.

3. Term of the Master Agreement

The initial term of this Master Agreement is for two (2) years. This Master Agreement may be extended beyond the original contract period for successive periods with a maximum aggregate, including all extensions, not to exceed five (5) years at the Lead State's discretion and by mutual agreement and upon review of requirements of Participating Entities, current market conditions, and Contractor performance.

4. Amendments

The terms of this Master Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever without prior written approval of the Lead State.

5. Assignment/Subcontracts

a. Contractor shall not assign, sell, transfer, subcontract or sublet rights, or delegate responsibilities under this Master Agreement, in whole or in part, without the prior written approval of the Lead State.

b. The Lead State reserves the right to assign any rights or duties, including written assignment of contract administration duties to NASPO Cooperative Purchasing Organization LLC, doing business as NASPO ValuePoint.

6. Price and Rate Guarantee Period

All prices and rates must be guaranteed for the initial term of the Master Agreement. Following the initial Master Agreement period, any request for price or rate adjustment must be for an equal guarantee period, and must be made at least ninety (90) days prior to the effective date. Requests for price or rate adjustment must include sufficient documentation supporting the request. Any adjustment or amendment to the Master Agreement shall not be effective unless approved by the Lead State. No retroactive adjustments to prices or

rates will be allowed.

7. Cancellation

Unless otherwise stated, this Master Agreement may be canceled by either party upon 60 days written notice prior to the effective date of the cancellation. Further, any Participating State may cancel its participation upon 30 days written notice, unless otherwise limited or stated in the Participating Addendum. Cancellation may be in whole or in part. Any cancellation under this provision shall not affect the rights and obligations attending orders outstanding at the time of cancellation, including any right of and Purchasing Entity to indemnification by the Contractor, rights of payment for Products delivered and accepted, and rights attending any warranty or default in performance in association with any Order. Cancellation of the Master Agreement due to Contractor default may be immediate.

8. Confidentiality, Non-Disclosure, and Injunctive Relief

Provisions governing confidentiality of information during performance of orders for the State of Arizona are governed by The State of Arizona Special Terms and Conditions. Except where a Participating Addendum prescribes otherwise, this section governs confidentiality and disclosure of information of other Purchasing Entities.

a. Confidentiality. Contractor acknowledges that it and its employees or agents may, in the course of providing a Product under this Master Agreement, be exposed to or acquire information that is confidential to Purchasing Entity's or Purchasing Entity's clients. Any and all information of any form that is marked as confidential or would by its nature be deemed confidential obtained by Contractor or its employees or agents in the performance of this Master Agreement, including, but not necessarily limited to (1) any Purchasing Entity's records, (2) personnel records, and (3) information concerning individuals, is confidential information of Purchasing Entity ("Confidential Information"). Any reports or other documents or items (including software) that result from the use of the Confidential Information by Contractor shall be treated in the same manner as the Confidential Information. Confidential Information does not include information that (1) is or becomes (other than by disclosure by Contractor) publicly known; (2) is furnished by Purchasing Entity to others without restrictions similar to those imposed by this Master Agreement; (3) is rightfully in Contractor's possession without the obligation of nondisclosure prior to the time of its disclosure under this Master Agreement; (4) is obtained from a source other than Purchasing Entity without the obligation of confidentiality, (5) is disclosed with the written consent of Purchasing Entity or; (6) is independently developed by employees, agents or subcontractors of Contractor who can be shown to have had no access to the Confidential Information.

b. Non-Disclosure. Contractor shall hold Confidential Information in confidence, using at least the industry standard of confidentiality, and shall not copy, reproduce, sell, assign, license, market, transfer or otherwise dispose of, give, or disclose Confidential Information to third parties or use Confidential Information for any purposes whatsoever other than what is necessary to the performance of Orders placed under this Master Agreement. Contractor shall advise each of its employees and agents of their obligations to keep Confidential Information confidential. Contractor shall use commercially reasonable efforts to assist Purchasing Entity in identifying and preventing any unauthorized use or disclosure of any Confidential Information. Without limiting the generality of the foregoing, Contractor shall advise Purchasing Entity, applicable Participating State, and the Lead State immediately if Contractor learns or has reason to believe that any person who has had access to Confidential Information has violated or intends to violate the terms of this Master Agreement, and Contractor shall at its expense cooperate with Purchasing Entity in seeking injunctive or other equitable relief in the name of Purchasing Entity or Contractor against any such person. Except as directed by Purchasing Entity, Contractor will not at any time during or after the term of this Master Agreement disclose, directly or

indirectly, any Confidential Information to any person, except in accordance with this Master Agreement, and that upon termination of this Master Agreement or at Purchasing Entity's request, Contractor shall turn over to Purchasing Entity all documents, papers, and other matter in Contractor's possession that embody Confidential Information. Notwithstanding the foregoing, Contractor may keep one copy of such Confidential Information necessary for quality assurance, audits and evidence of the performance of this Master Agreement.

c. Injunctive Relief. Contractor acknowledges that breach of this section, including disclosure of any Confidential Information, will cause irreparable injury to Purchasing Entity that is inadequately compensable in damages. Accordingly, Purchasing Entity may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies that may be available. Contractor acknowledges and agrees that the covenants contained herein are necessary for the protection of the legitimate business interests of Purchasing Entity and are reasonable in scope and content.

d. Purchasing Entity Law. These provisions shall be applicable only to extent they are not in conflict with the applicable public disclosure laws of any Purchasing Entity.

9. Right to Publish

Throughout the duration of this Master Agreement, Contractor must secure from the Lead State prior approval for the release of any information that pertains to the potential work or activities covered by the Master Agreement. The Contractor shall not make any representations of NASPO ValuePoint's opinion or position as to the quality or effectiveness of the services that are the subject of this Master Agreement without prior written consent. Failure to adhere to this requirement may result in termination of the Master Agreement for cause.

10. Defaults and Remedies

a. The occurrence of any of the following events shall be an event of default under this Master Agreement:

(1) Nonperformance of contractual requirements; or

(2) A material breach of any term or condition of this Master Agreement; or

(3) Any certification, representation or warranty by Contractor in response to the solicitation or in this Master Agreement that proves to be untrue or materially misleading; or

(4) Institution of proceedings under any bankruptcy, insolvency, reorganization or similar law, by or against Contractor, or the appointment of a receiver or similar officer for Contractor or any of its property, which is not vacated or fully stayed within thirty (30) calendar days after the institution or occurrence thereof; or

(5) Any default specified in another section of this Master Agreement.

b. Upon the occurrence of an event of default, Lead State shall issue a written notice of default, identifying the nature of the default, and providing a period of 15 calendar days in which Contractor shall have an opportunity to cure the default. The Lead State shall not be required to provide advance written notice or a cure period and may immediately terminate this Master Agreement in whole or in part if the Lead State, in its sole discretion, determines that it is reasonably necessary to preserve public safety or prevent immediate public crisis. Time allowed for cure shall not diminish or eliminate Contractor's liability for damages, including liquidated damages to the extent provided for under this Master Agreement.

c. If Contractor is afforded an opportunity to cure and fails to cure the default within the period specified in the written notice of default, Contractor shall be in breach of its obligations under this Master Agreement and Lead State shall have the right to exercise any or all of the following remedies:

(1) Exercise any remedy provided by law; and

(2) Terminate this Master Agreement and any related Contracts or portions thereof; and

(3) Impose liquidated damages as provided in this Master Agreement; and

(4) Suspend Contractor from being able to respond to future bid solicitations; and

(5) Suspend Contractor's performance; and

(6) Withhold payment until the default is remedied.

d. Unless otherwise specified in the Participating Addendum, in the event of a default under a Participating Addendum, a Participating State shall provide a written notice of default as described in this section and have all of the rights and remedies under this paragraph regarding its participation in the Master Agreement, in addition to those set forth in its Participating Addendum. Unless otherwise specified in a Purchase Order, a Purchasing Entity shall provide written notice of default as described in this section and have all of the rights and remedies under this paragraph and any applicable Participating Addendum with respect to an Order placed by the Purchasing Entity. Nothing in these Master Agreement Terms and Conditions shall be construed to limit the rights and remedies available to a Purchasing Entity under the applicable commercial code.

11. Shipping and Delivery.

Section 3.2.1.8 of the solicitation prescribes requirements for product delivery and return.

12. Changes in Contractor Representation

The Contractor must notify the Lead State of changes in the Contractor's key administrative personnel, in writing within 10 calendar days of the change. The Lead State reserves the right to approve changes in key personnel, as identified in the Contractor's proposal. The Contractor agrees to propose replacement key personnel having substantially equal or better education, training, and experience as was possessed by the key person proposed and evaluated in the Contractor's proposal.

13. Force Majeure

Neither party to this Master Agreement shall be held responsible for delay or default caused by "force majeure," as that term is defined in and under conditions specified in section 6.4 of the State of Arizona Uniform Terms and Conditions.

14. Indemnification

a. Section 5.1X1.1 of the State of Arizona Special Terms and Conditions governs indemnification of the State of Arizona. With respect to other entities, the Contractor shall defend, indemnify and hold harmless NASPO, NASPO Cooperative Purchasing Organization LLC (doing business as NASPO ValuePoint), the Lead State, Participating Entities, and Purchasing Entities, along with their officers, agents, and employees as well as any person or entity for which they may be liable, from and against claims, damages or causes of action including reasonable attorneys' fees and related costs for any death, injury, or damage to property arising from act(s), error(s), or omission(s) of the Contractor, its employees or subcontractors or volunteers, at any tier, relating to the performance under the Master Agreement.

b. Indemnification – Intellectual Property. Section 6.3 of the State of Arizona Uniform Terms and Conditions governs indemnification of the State for intellectual property infringement claims. With respect to other entities the Contractor shall defend, indemnify and hold harmless NASPO, NASPO Cooperative Purchasing

Organization LLC (doing business as NASPO ValuePoint), Participating Entities, Purchasing Entities, along with their officers, agents, and employees as well as any person or entity for which they may be liable ("Indemnified Party"), from and against claims, damages or causes of action including reasonable attorneys' fees and related costs arising out of the claim that the Product or its use, infringes Intellectual Property rights ("Intellectual Property Claim").

(1) The Contractor's obligations under this section shall not extend to any combination of the Product with any other product, system or method, unless the Product, system or method is:

(a) provided by the Contractor or the Contractor's subsidiaries or affiliates;

(b) specified by the Contractor to work with the Product; or

(c) reasonably required, in order to use the Product in its intended manner, and the infringement could not have been avoided by substituting another reasonably available product, system or method capable of performing the same function; or

(d) It would be reasonably expected to use the Product in combination with such product, system or method.

(2) The Indemnified Party shall notify the Contractor within a reasonable time after receiving notice of an Intellectual Property Claim. Even if the Indemnified Party fails to provide reasonable notice, the Contractor shall not be relieved from its obligations unless the Contractor can demonstrate that it was prejudiced in defending the Intellectual Property Claim resulting in increased expenses or loss to the Contractor. If the Contractor promptly and reasonably investigates and defends any Intellectual Property Claim, it shall have control over the defense and settlement of it. However, the Indemnified Party must consent in writing for any money damages or obligations for which it may be responsible. The Indemnified Party shall furnish, at the Contractor's reasonable request and expense, information and assistance necessary for such defense. If the Contractor fails to vigorously pursue the defense or settlement of the Intellectual Property Claim, the Indemnified Party may assume the defense or settlement of it and the Contractor shall be liable for all costs and expenses, including reasonable attorneys' fees and related costs, incurred by the Indemnified Party in the pursuit of the Intellectual Property Claim. Unless otherwise agreed in writing, this section is not subject to any limitations of liability in this Master Agreement or in any other document executed in conjunction with this Master Agreement.

15. Independent Contractor

The Contractor shall be an independent contractor. Contractor shall have no authorization, express or implied, to bind the Lead State, Participating States, other Participating Entities, or Purchasing Entities to any agreements, settlements, liability or understanding whatsoever, and agrees not to hold itself out as agent except as expressly set forth herein or as expressly agreed in any Participating Addendum.

16. Individual Customers

Except to the extent modified by a Participating Addendum, each Purchasing Entity shall follow the terms and conditions of the Master Agreement and applicable Participating Addendum and will have the same rights and responsibilities for their purchases as the Lead State has in the Master Agreement, including but not limited to, any indemnity or right to recover any costs as such right is defined in the Master Agreement and applicable Participating Addendum for their purchases. Each Purchasing Entity will be responsible for its own charges, fees, and liabilities. The Contractor will apply the charges and invoice each Purchasing Entity individually.

17. Insurance

a. The insurance requirements of the State of Arizona are specified in section 5.1 X 1.2 of the State of Arizona Special Terms and Conditions. For performance in other states, unless otherwise agreed in a Participating Addendum, Contractor shall, during the term of this Master Agreement, maintain in full force and effect, the insurance described in this section. Contractor shall acquire such insurance from an insurance carrier or carriers licensed to conduct business in each Participating State's state and having a rating of A-, Class VII or better, in the most recently published edition of Best's Reports. Failure to buy and maintain the required insurance may result in this Master Agreement's termination or, at a Participating State's option, result in termination of its Participating Addendum.

b. Coverage shall be written on an occurrence basis. The minimum acceptable limits shall be as indicated below, with no deductible for each of the following categories:

1) Commercial General Liability (CGL) – Occurrence Form

Policy shall include bodily injury, property damage, and broad form contractual liability coverage.

General Aggregate $2,000,000

Products – Completed Operations Aggregate $1,000,000

Personal and Advertising Injury $1,000,000

Damage to Rented Premises $50,0000

Each Occurrence $1,000,000

2) Business Automobile Liability

Bodily injury and Property Damage for any owned, hired, and/or non-owned automobiles used in the performance of this Contract. Combined Single Limit (CSL) $1,000,000

3) Technology Errors & Omissions Insurance

Each Claim $2,000,000

Annual Aggregate $2,000,000

Such insurance shall cover any, and all errors, omissions, or negligent acts in the delivery of products, services, and/or licensed programs under this contract. Coverage shall include or shall not exclude services, and/or licensed programs under this contract. Coverage shall include or shall not exclude settlement and/or defense of claims involving intellectual property, including but not limited to patent or copyright infringement. In the event that Tech E&O insurance required by this Contact is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years, beginning at the time work under this contract is completed.

c. Contractor shall pay premiums on all insurance policies. Such policies shall also reference this Master Agreement and shall have a condition that they not be revoked by the insurer until thirty (30) calendar days

after notice of intended revocation thereof shall have been given to Purchasing Entity and Participating State by the Contractor.

d. Prior to commencement of performance, Contractor shall provide to the Lead State a written endorsement to the Contractor's general liability insurance policy or other documentary evidence acceptable to the Lead State that (1) names the Participating States identified in the Request for Proposal as additional insureds, (2) provides that no material alteration, cancellation, non-renewal, or expiration of the coverage contained in such policy shall have effect unless the named Participating State has been given at least thirty (30) days prior written notice, and (3) provides that the Contractor's liability insurance policy shall be primary, with any liability insurance of any Participating State as secondary and noncontributory. Unless otherwise agreed in any Participating Addendum, the Participating State's rights and Contractor's obligations are the same as those specified in the first sentence of this subsection. Before performance of any Purchase Order issued after execution of a Participating Addendum authorizing it, the Contractor shall provide to a Purchasing Entity or Participating State who requests it the same information described in this subsection.

e. Contractor shall furnish to the Lead State, Participating State, and, on request, the Purchasing Entity copies of certificates of all required insurance within thirty (30) calendar days of the execution of this Master Agreement, the execution of a Participating Addendum, or the Purchase Order's effective date and prior to performing any work. The insurance certificate shall provide the following information: the name and address of the insured; name, address, telephone number and signature of the authorized agent; name of the insurance company (authorized to operate in all states); a description of coverage in detailed standard terminology (including policy period, policy number, limits of liability, exclusions and endorsements); and an acknowledgment of the requirement for notice of cancellation. Copies of renewal certificates of all required insurance shall be furnished within thirty (30) days after any renewal date. These certificates of insurance must expressly indicate compliance with each and every insurance requirement specified in this section. Failure to provide evidence of coverage may, at sole option of the Lead State, or any Participating State, result in this Master Agreement's termination or the termination of any Participating Addendum.

f. Coverage and limits shall not limit Contractor's liability and obligations under this Master Agreement, any Participating Addendum, or any Purchase Order.

18. Laws and Regulations

Any and all Products offered and furnished shall comply with solicitation section 5.10, Compliance with Applicable Laws.

19. License of Pre-Existing Intellectual Property

Any rights to intellectual property shall be as prescribed in the Lead State's solicitation and resulting contract, and Purchasing Entities shall have the same rights as the Lead State under those provisions.

20. No Waiver of Sovereign Immunity

In no event shall this Master Agreement, any Participating Addendum or any contract or any Purchase Order issued thereunder, or any act of a Lead State, a Participating State, or a Purchasing Entity be a waiver of any form of defense or immunity, whether sovereign immunity, governmental immunity, immunity based on the Eleventh Amendment to the Constitution of the United States or otherwise, from any claim or from the jurisdiction of any court.

This section applies to a claim brought against the Participating State only to the extent Congress

has appropriately abrogated the Participating State's sovereign immunity and is not consent by the Participating State to be sued in federal court. This section is also not a waiver by the Participating State of any form of immunity, including but not limited to sovereign immunity and immunity based on the Eleventh Amendment to the Constitution of the United States.

21. Ordering

a. Master Agreement order and purchase order numbers shall be clearly shown on all acknowledgments, shipping labels, packing slips, invoices, and on all correspondence.

b. The resulting Master Agreements permit Purchasing Entities to define project-specific requirements and informally compete the requirement among companies having a Master Agreement on an "as needed" basis. This procedure may also be used when requirements are aggregated or other firm commitments may be made to achieve reductions in pricing. This procedure may be modified in Participating Addenda and adapted to Purchasing Entity rules and policies. The Purchasing Entity may in its sole discretion determine which Master Agreement Contractors should be solicited for a quote. The Purchasing Agency may select the quote that it considers most advantageous, cost and other factors considered.

c. Each Purchasing Entity will identify and utilize its own appropriate purchasing procedure and documentation. Contractor is expected to become familiar with the Purchasing Entities' rules, policies, and procedures regarding the ordering of supplies and/or services contemplated by this Master Agreement.

d. Contractor shall not begin work without a valid Purchase Order or other appropriate commitment document compliance with the law of the Purchasing Entity.

e. Orders may be placed consistent with the terms of this Master Agreement during the term of the Master Agreement.

f. All Orders pursuant to this Master Agreement, at a minimum, shall include:

(1) The services or supplies being delivered;
(2) The place and requested time of delivery;
(3) A billing address;
(4) The name, phone number, and address of the Purchasing Entity representative;
(5) The price per hour or other pricing elements consistent with this Master Agreement and the contractor's proposal;
(6) A ceiling amount of the order for services being ordered; and
(7) The Master Agreement identifier.

g. All communications concerning administration of Orders placed shall be furnished solely to the authorized purchasing agent within the Purchasing Entity's purchasing office, or to such other individual identified in writing in the Order.

h. Orders must be placed pursuant to this Master Agreement prior to the termination date thereof, but may have a delivery date or performance period up to 120 days past the then-current termination date of this Master Agreement. Contractor is reminded that financial obligations of Purchasing Entities payable after the current applicable fiscal year are contingent upon agency funds for that purpose being appropriated, budgeted, and otherwise made available.

i. Notwithstanding the expiration or termination of this Master Agreement, Contractor agrees to perform in accordance with the terms of any Orders then outstanding at the time of such expiration or termination. Contractor shall not honor any Orders placed after the expiration or termination of this Master Agreement, or

otherwise inconsistent with its terms. Orders from any separate indefinite quantity, task orders, or other form of indefinite delivery order arrangement priced against this Master Agreement may not be placed after the expiration or termination of this Master Agreement, notwithstanding the term of any such indefinite delivery order agreement.

22. Participants

a. Contractor may not deliver Products under this Master Agreement until a Participating Addendum acceptable to the Participating State and Contractor is executed. The NASPO ValuePoint Master Agreement Terms and Conditions are applicable to any Order by a Participating State (and other Purchasing Entities covered by their Participating Addendum), except to the extent altered, modified, supplemented or amended by a Participating Addendum. By way of illustration and not limitation, this authority may apply to unique delivery and invoicing requirements, confidentiality requirements, defaults on Orders, governing law and venue relating to Orders by a Participating State, indemnification, and insurance requirements. Statutory or constitutional requirements relating to availability of funds may require specific language in some Participating Addenda in order to comply with applicable law. The expectation is that these alterations, modifications, supplements, or amendments will be addressed in the Participating Addendum or, with the consent of the Purchasing Entity and Contractor, may be included in the ordering document (e.g. purchase order or contract) used by the Purchasing Entity to place the Order.

b. Use of specific NASPO ValuePoint cooperative Master Agreements by state agencies, political subdivisions and other Participating Entities (including cooperatives) authorized by individual state's statutes to use state contracts are subject to the approval of the respective State Chief Procurement Official. Issues of interpretation and eligibility for participation are solely within the authority of the respective State Chief Procurement Official.

c. Obligations under this Master Agreement are limited to those Participating Entities who have signed a Participating Addendum and Purchasing Entities within the scope of those Participating Addenda. Financial obligations of Participating States are limited to the orders placed by the departments or other state agencies and institutions having available funds. Participating States incur no financial obligations on behalf of political subdivisions. Contractor shall email a fully executed PDF copy of each Participating Addendum to PA@wsca-naspo.org to support documentation of participation and posting in appropriate data bases.

d. NASPO Cooperative Purchasing Organization LLC, doing business as NASPO ValuePoint, is not a party to the Master Agreement. It is a nonprofit cooperative purchasing organization assisting states in administering the NASPO cooperative purchasing program for state government departments, institutions, agencies and political subdivisions (e.g., colleges, school districts, counties, cities, etc.) for all 50 states, the District of Columbia and the territories of the United States.

e. State Participating Addenda or other Participating Addenda shall not be construed to amend the terms of this Master Agreement between the Lead State and Contractor.

f. Participating Entities who are not states may under some circumstances sign their own Participating Addendum, subject to the approval of participation by the Chief Procurement Official of the state where the Participating State is located.

g. Resale. "Resale" means any transfer of software for compensation or assignment of services for compensation. Subject to any specific conditions included in the solicitation or Contractor's proposal as accepted by the Lead State, or as explicitly permitted in a Participating Addendum, Purchasing Entities may not resell Products (the definition of which includes software and services that are deliverables). Absent any

such condition or explicit permission, this limitation does not prohibit: payments by employees of a Purchasing Entity for Products; sales of Products to the general public as surplus property; and fees associated with inventory transactions with other governmental or nonprofit entities under cooperative agreements and consistent with a Purchasing Entity's laws and regulations. Any sale or transfer permitted by this subsection must be consistent with license rights granted for use of intellectual property.

23. Payment

Payment for completion of a contract order is normally made within 30 days following the date the entire order is delivered or the date a correct invoice is received, whichever is later. After 45 days the Contractor may assess overdue account charges up to a maximum rate of one percent per month on the outstanding balance. Payments will be remitted by mail. Payments may be made via a State or political subdivision "Purchasing Card" with no additional charge.

Any prompt payment terms proposed by contractor shall be extended to all Purchasing Entities.

24. Public Information.

This Master Agreement and all related documents are subject to disclosure pursuant to the Purchasing Entity's public information laws.

25. Records Administration and Audit.

a. The Contractor shall maintain books, records, documents, and other evidence pertaining to this Master Agreement and orders placed by Purchasing Entities under it to the extent and in such detail as shall adequately reflect performance and administration of payments and fees. Contractor shall permit the Lead State, a Participating State, a Purchasing Entity, the federal government (including its grant awarding entities and the U.S. Comptroller General), and any other duly authorized agent of a governmental agency, to audit, inspect, examine, copy and/or transcribe Contractor's books, documents, papers and records directly pertinent to this Master Agreement or orders placed by a Purchasing Entity under it for the purpose of making audits, examinations, excerpts, and transcriptions. This right shall survive for a period of five (5) years following termination of this Agreement or final payment for any order placed by a Purchasing Entity against this Agreement, whichever is later, to assure compliance with the terms hereof or to evaluate performance hereunder.

b. Without limiting any other remedy available to any governmental entity, the Contractor shall reimburse the applicable Lead State, Participating State, or Purchasing Entity for any overpayments inconsistent with the terms of the Master Agreement or orders or underpayment of fees found as a result of the examination of the Contractor's records.

c. The rights and obligations herein right exist in addition to any quality assurance obligation in the Master Agreement requiring the Contractor to self-audit contract obligations and that permits the Lead State to review compliance with those obligations.

26. Administrative Fees

a. The Contractor shall pay to NASPO ValuePoint, or its assignee, a NASPO ValuePoint Administrative Fee of one-quarter of one percent (0.25% or 0.0025) no later than 60 days following the end of each calendar quarter. The NASPO ValuePoint Administrative Fee shall be submitted quarterly and is based on all sales of products and services under the Master Agreement (less any charges for taxes or shipping). The NASPO ValuePoint

Administrative Fee is not negotiable. This fee is to be included as part of the pricing submitted with proposal.

b. Additionally, some states, such as the State of Arizona, may require an additional fee be paid directly to the state only on purchases made by Purchasing Entities within that state. For all such requests, the fee level, payment method and schedule for such reports and payments will be incorporated into the Participating Addendum that is made a part of the Master Agreement. The Contractor may adjust the Master Agreement pricing accordingly for purchases made by Purchasing Entities within the jurisdiction of the state. All such agreements shall not affect the NASPO ValuePoint Administrative Fee percentage or the prices paid by the Purchasing Entities outside the jurisdiction of the state requesting the additional fee. The NASPO ValuePoint Administrative Fee in subsection 26a shall be based on the gross amount of all sales (less any charges for taxes or shipping) at the adjusted prices (if any) in Participating Addenda.

27. NASPO ValuePoint Summary and Detailed Usage Reports

In addition to other reports that may be required by this solicitation, the Contractor shall provide the following NASPO ValuePoint reports.

a. Summary Sales Data. The Contractor shall submit quarterly sales reports directly to NASPO ValuePoint using the NASPO ValuePoint Quarterly Sales/Administrative Fee Reporting Tool found at http://www.naspo.org/WNCPO/Calculator.aspx. Any/all sales made under the contract shall be reported as cumulative totals by state. Even if Contractor experiences zero sales during a calendar quarter, a report is still required. Reports shall be due no later than 30 day following the end of the calendar quarter (as specified in the reporting tool).

b. Detailed Sales Data. Contractor shall also report detailed sales data by: (1) state; (2) entity/customer type, e.g. local government, higher education, K12, non-profit; (3) Purchasing Entity name; (4) Purchasing Entity bill-to and ship-to locations; (4) Purchasing Entity and Contractor Purchase Order identifier/number(s); (5) Purchase Order Type (e.g. sales order, credit, return, upgrade, determined by industry practices); (6) Purchase Order date; (7) Ship Date; (8) and line item description, including product number if used. The report shall be submitted in any form required by the solicitation. Reports are due on a quarterly basis and must be received by the Lead State and NASPO ValuePoint Cooperative Development Team no later than thirty (30) days after the end of the reporting period. Reports shall be delivered to the Lead State and to the NASPO ValuePoint Cooperative Development Team electronically through a designated portal, email, CD-Rom, flash drive or other method as determined by the Lead State and NASPO ValuePoint. Detailed sales data reports shall include sales information for all sales under Participating Addenda executed under this Master Agreement. The format for the detailed sales data report is in shown in EXHIBIT III_Cooperative Contract Sales Reporting Data Requirements and Data Format.

c. Reportable sales for the summary sales data report and detailed sales data report includes sales to employees for personal use where authorized by the solicitation and the Participating Addendum. Report data for employees should be limited to ONLY the state and entity they are participating under the authority of (state and agency, city, county, school district, etc.) and the amount of sales. No personal identification numbers, e.g. names, addresses, **social security numbers or any other numerical identifier**, may be submitted with any report.

d. Contractor shall provide the NASPO ValuePoint Cooperative Development Coordinator with an executive summary each quarter that includes, at a minimum, a list of states with an active Participating Addendum, states that Contractor is in negotiations with and any PA roll out or implementation activities and issues. NASPO ValuePoint Cooperative Development Coordinator and Contractor will determine the format and content of the executive summary. The executive summary is due 30 days after the conclusion of each

calendar quarter.

e. Timely submission of these reports is a material requirement of the Master Agreement. The recipient of the reports shall have exclusive ownership of the media containing the reports. The Lead State and NASPO ValuePoint shall have a perpetual, irrevocable, non-exclusive, royalty free, transferable right to display, modify, copy, and otherwise use reports, data and information provided under this section.

28. Standard of Performance and Acceptance.

Determination of the acceptability of services shall be made by the sole judgement of the Purchasing Entity. Acceptance shall be in writing, verbal acceptance will not be allowed. Services shall be completed in accordance with the Scope of Work, agreed to and accepted schedules, plans, and agreed to performance standards. Acceptance shall be one hundred percent (100%) functionality, which will be determined by the Purchasing Entity. Acceptance criteria shall include, but not be limited to conformity to the scope of work, quality of workmanship, and successfully performing all required Tasks. Nonconformance to a stated acceptance and performance criteria of both services and or products, as required, shall result in a delay for payment. The warranty period will begin upon Acceptance.

29. Warranty

The Contractor warrants for a period of 90 days from the date of Acceptance in accordance with the provisions of section 7 of the State of Arizona Uniform Terms and Conditions and section 5.1 N. of the State of Arizona Special Terms and Conditions, with rights of the State available to other Purchasing Entities. Upon breach of the warranty, the Contractor will repair or replace (at no charge to the Purchasing Entity) the Product whose nonconformance is discovered and made known to the Contractor. If the repaired and/or replaced Product proves to be inadequate, or fails of its essential purpose, the Contractor will refund the full amount of any payments that have been made. The rights and remedies of the parties under this warranty are in addition to any other rights and remedies of the parties provided by law or equity, including, without limitation, actual damages, and, as applicable and awarded under the law, to a prevailing party, reasonable attorneys' fees and costs.

30. (RESERVED)

31. Title of Product

Upon Acceptance by the Purchasing Entity, Contractor shall convey to Purchasing Entity title to Product consisting of tangible media free and clear of all liens, encumbrances, or other security interests.

32. Waiver of Breach

Failure of the Lead State, Participating State, or Purchasing Entity to declare a default or enforce any rights and remedies shall not operate as a waiver under this Master Agreement or Participating Addendum. Any waiver by the Lead State, Participating State, or Purchasing Entity must be in writing. Waiver by the Lead State or Participating State of any default, right or remedy under this Master Agreement or Participating Addendum, or by Purchasing Entity with respect to any Purchase Order, or breach of any terms or requirements of this Master Agreement, a Participating Addendum, or Purchase Order shall not be construed or operate as a waiver of any subsequent default or breach of such term or requirement, or of any other term or requirement under this Master Agreement, Participating Addendum, or Purchase Order.

33. Assignment of Antitrust Rights

Contractor irrevocably assigns to a Participating State any claim for relief or cause of action which the Contractor now has or which may accrue to the Contractor in the future by reason of any violation of state or federal antitrust laws (15 U.S.C. § 1-15 or a Participating State's state antitrust provisions), as now in effect and as may be amended from time to time, in connection with any goods or services provided to the Contractor for the purpose of carrying out the Contractor's obligations under this Master Agreement or Participating Addendum, including, at a Participating State's option, the right to control any such litigation on such claim for relief or cause of action.

34. Debarment

The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction (contract) by any governmental department or agency. This certification represents a recurring certification made at the time any Order is placed under this Master Agreement. If the Contractor cannot certify this statement, attach a written explanation for review by the Lead State.

35. Governing Law and Venue

a. The procurement, evaluation, and award of the Master Agreement shall be governed by and construed in accordance with the laws of the Lead State sponsoring and administering the procurement. The construction and effect of the Master Agreement after award shall be governed by the law of the state serving as Lead State (in most cases also the Lead State). The construction and effect of any Participating Addendum or Order against the Master Agreement shall be governed by and construed in accordance with the laws of the Participating State's or Purchasing Entity's State.

b. Unless otherwise specified in the RFP, the venue for any protest, claim, dispute or action relating to the procurement, evaluation, and award is in the Lead State. Venue for any claim, dispute or action concerning the terms of the Master Agreement shall be in the state serving as Lead State. Venue for any claim, dispute, or action concerning any Order placed against the Master Agreement or the effect of a Participating Addendum shall be in the Purchasing Entity's State.

c. If a claim is brought in a federal forum, then it must be brought and adjudicated solely and exclusively within the United States District Court for (in decreasing order of priority): the Lead State for claims relating to the procurement, evaluation, award, or contract performance or administration if the Lead State is a party; the Participating State if a named party; the Participating State state if a named party; or the Purchasing Entity state if a named party.

36. NASPO ValuePoint eMarket Center

In July 2011, NASPO ValuePoint entered into a multi-year agreement with SciQuest, Inc. whereby SciQuest will provide certain electronic catalog hosting and management services to enable eligible NASPO ValuePoint's customers to access a central online website to view and/or shop the goods and services available from existing NASPO ValuePoint Cooperative Contracts. The central online website is referred to as the NASPO ValuePoint eMarket Center.

The Contractor will have visibility in the eMarket Center through Ordering Instructions. These Ordering Instructions are available at no cost to the Contractor and provided customers information regarding the Contractors website and ordering information.

At a minimum, the Contractor agrees to the following timeline: NASPO ValuePoint eMarket Center Site Admin shall provide a written request to the Contractor to begin Ordering Instruction process. The Contractor shall have thirty (30) days from receipt of written request to work with NASPO ValuePoint to provide any unique information and ordering instructions that the Contractor would like the customer to have.

37. Contract Provisions for Orders Utilizing Federal Funds.
Pursuant to Appendix II to 2 Code of Federal Regulations (CFR) Part 200, Contract Provisions for Non-Federal Entity Contracts Under Federal Awards, Orders funded with federal funds may have additional contractual requirements or certifications that must be satisfied at the time the Order is placed or upon delivery. These federal requirements may be proposed by Participating Entities in Participating Addenda and Purchasing Entities for incorporation in Orders placed under this master agreement.

38. State Government Support
No support, facility space, materials, special access, personnel or other obligations on behalf of the states or other Participating Entity, other than payment, are required under the Master Agreement.

5.1 State of Arizona Special Terms and Conditions

A. Purpose

Pursuant to provisions of the Arizona Procurement Code, A.R.S. 41-2501 Et Seq., the State of Arizona intends to establish a Contract (Participating Addendum, PA) for the materials or services as listed herein in service to the State.

B. Term of Contract

The term of any resultant Contract shall commence on date of execution and shall be for an initial period of two (2) years, unless terminated, canceled or extended as otherwise provided herein.

C. Contract Extensions

The Contract term is for period stated in Item B. subject to additional successive periods with a maximum aggregate including all extensions not to exceed five (5) years.

D. Contract Type – Fixed Price

E. Eligible Agencies (STATEWIDE)

This Contract shall be for the use of all State of Arizona departments, agencies, commissions and boards. In addition, eligible State Purchasing Cooperative members may participate at their discretion. In order to participate in this contract, a cooperative member shall have entered into a Cooperative Purchasing Agreement with the Department of Administration, State Procurement Office as required by Arizona Revised Statues § 41-2632.

Membership in the State Purchasing Cooperative is available to all Arizona political subdivisions including cities, counties, school districts, and special districts. Membership is also available to all non-profit organizations, as well as State governments, the US Federal Government and Tribal Nations. Non-profit organizations are defined in A.R.S. § 41-2631(4) as any nonprofit corporation as designated by the internal revenue service under section 501(c)(3) through 501(c)(6).

F. Licenses

The Contractor shall maintain in current status, all federal, state and local licenses and permits required for the operation of the business conducted by the Contractor.

G. Volume of Work

The State does not guarantee a specific amount of work either for the life of the Contract or on an annual basis.

H. Key Personnel

It is essential that the Contractor provide adequate experienced personnel, capable of and devoted to the successful accomplishment of work to be performed under this Contract. The Contractor must agree to assign specific individuals to the key positions if required.

1. The Contractor agrees that, once assigned to work under this Contract, key personnel shall not be removed or replaced without written notice to the State.
2. Key personnel who are not available for work under this Contract for a continuous period exceeding thirty (30) calendar days, or are expected to devote substantially less effort to the work than initially anticipated, the Contractor shall immediately notify the State, and shall, subject to the concurrence of the State, replace such personnel with personnel of substantially equal ability and qualifications.

I. Changes

The State may at any time make changes within the general scope of this Contract. The Contractor shall respond to the Change Order with a proposal. If any such change causes an adjustment in the cost of, or the time required for the performance of any part of the work under this Contract, whether changed or not changed by the Change Order, the Procurement Officer shall modify the Contract in writing via a bilateral Contract Amendment.

J. Price Adjustment

Any price adjustment shall be within the confines of the awarded contract, or as negotiated in service to this Contract. Any negotiated price adjustments for this Contract shall be documented via a bilateral Contract Amendment.

K. Payment Procedures

The State will not make payments to any Entity, Group or individual other than the Contractor with the Federal Employer Identification (FEI) Number identified in the Contract. Contractor invoices requesting payment to any Entity, Group or individual other than the contractually specified Contractor shall be returned to the Contractor for correction.

The Contractor shall review and insure that the invoices for services provided show the correct Contractor name prior to sending them for payment.

If the Contractor Name and FEI Number change, the Contractor must complete an “Assignment and Agreement” form transferring contract rights and responsibilities to the new Contractor. The State must indicate consent on the form. A written Contract Amendment must be signed by both parties and a new W-9 form must be submitted by the new Contractor and entered into the system prior to any payments being made to the new Contractor.

L. Information Disclosure

The Contractor shall establish and maintain procedures and controls that are acceptable to the State for the purpose of assuring that no information contained in its records or obtained from the state or from others in carrying out its functions under the contract shall be used or disclosed by it, its agents, officers, or employees, except as required to efficiently perform duties under the Contract. Persons requesting such information should be referred to the State. The Contractor also agrees that any information pertaining to individual persons shall not be divulged other than to employees or officers of

the Contractor as needed for the performance of duties under the Contract, unless otherwise agreed to in writing by the State.

M. Employees of the Contractor

All employees of the Contractor employed in the performance of work under the Contract shall be considered employees of the Contractor at all times, and not employees of the State. The Contractor shall comply with the Social Security Act, Workman's Compensation laws and Unemployment laws of the State of Arizona and all State, local and Federal legislation relevant to the Contractor's business.

N. Warranty

All services supplied under this Contract shall be fully guaranteed by the Contractor for a minimum period of ninety (90) days from the date of acceptance by the State. Any defects of design, workmanship, or delivered materials, that would result in non-compliance shall be fully corrected by the Contractor without cost to the State.

O. Compliance with Applicable Laws

The Materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable licenses and permit requirements.

Contractor represents and warrants to the State that Contractor has the skill and knowledge possessed by members of its trade or profession and Contractor will apply that skill and knowledge with care and diligence so Contactor and Contractor's employees and any authorized subcontractors shall perform the Services described in this Contract in accordance with the Statement of Work.

Contractor represents and warrants that the Materials provided through this Contract and Statement of Work shall be free of viruses, backdoors, worms, spyware, malware and other malicious code that will hamper performance of the Materials, collect unlawful personally identifiable information on Users or prevent the Materials from performing as required under the terms and conditions of this Contract.

P. Non-Exclusive Contract

Any Contract resulting from this solicitation shall be awarded with the understanding and agreement that it is for the sole convenience of the State of Arizona. The State reserves the right to obtain like goods or services from another source when necessary, or when determined to be in the best interest of the State.

Q. Administrative Fee/Usage Reports

1. In accordance with ARS § 41-2633 the Department of Administration, State Procurement Office includes an Administrative Fee, in the majority of its Statewide contracts – multiple agency, multiple government, cooperative contracts. The Administrative Fee is used by the State to defray the additional costs associated with soliciting, awarding and administering statewide contracts.

   In addition to the State agencies, boards and commissions, statewide contracts are available to members of the State Purchasing Cooperative including cities, counties, school districts, special districts, other state governments, agencies of the federal government, tribal nations, schools, medical institutions, and nonprofit organizations.

   The Administrative Fee is the responsibility of the contractor. The Administrative Fee is a part of the contractor's unit prices and is not to be charged directly to the customer in the form of a

separate line item. In accordance with Section 26 of the NASPO ValuePoint Master Agreement Terms and Conditions, the 0.25% NASPO ValuePoint Administrative fee shall be incorporated into the Offerors base price. Other states, including the State of Arizona, may negotiate additional Administrative Fees in their Participating Addenda following award of a Master Agreement.

Further, Statewide contracts maintain one set of pricing for all customers and not separate prices for State agency customers and State Purchasing Cooperative customers.

2. State of Arizona Fee Amount:
Unless defined differently within the contract, the Statewide Contracts Administrative Fee shall be one percent (1.0%) of quarterly sales receipts under an active Statewide contract, transacted by only the members of the State Purchasing Cooperative, minus any taxes or regulatory fees, minus any returns or credits, and minus any shipping charges not already included in the unit prices. The Administrative Fee percentage is only applicable to amounts actually received by the contractor during the quarter and is not applicable to amounts ordered by customers but not yet paid for. The administrative fee is not paid on transactions with state agency customers.

3. Method of Assessment
At the completion of each quarter, the contractor reviews all sales under their contract in preparation for submission of their Usage Report. The contractor identifies all sales receipts transacted by members of the State Purchasing Cooperative and assesses one percent (1.0%) of this amount in their Usage Report. An updated list of State Purchasing Cooperative members may be found at: https://spo.az.gov/state-purchasing-cooperative . At its option, the State may expand or narrow the applicability of this fee. The State shall provide thirty (30) written notice prior to exercising or changing this option. The contractor shall summarize all sales, along with all assessed Administrative Fee amounts within their Usage Report, including total amounts for the following:
   - Total sales receipts from State agencies, boards and commissions;
   - Total sales receipts from members of the State Purchasing Cooperative; and
   - Total Administrative Fee amount based on one percent (1.0%) of the sales receipts from members of the State Purchasing Cooperative.

4. Submission of Reports and Fees. Within thirty (30) days following the end of the quarter, the contractor submits their Usage Report and if applicable, a check in the amount of one percent (1%) of their sales receipts from members of the State Purchasing Cooperative, to the Department of Administration, State Procurement Office. Contractors are required to use the State's current report templates unless you have authorization from your contract officer to use a different format. You need to complete Form 799, which is a cover letter that gives the totals of your transactions; and Form 801, which is an Excel spreadsheet that details your transactions. Sales to state agencies and the cooperative members are to be totaled separately. The most current forms can be downloaded at https://spo.az.gov/statewide-contracts-administrative-fee.

   4.1 The submission schedule for Administrative Fees and Usage reports shall be as follows:

FY Q1, July through September	Due October 31
FY Q2, October through December	Due January 31
FY Q3, January through March	Due by April 30
FY Q4, April through June	Due by July 31

4.2 Usage Reports and any questions are to be submitted by email to the state's designated usage report email address: usage@azdoa.gov

4.3 Administrative Fees shall be made out to the "State Procurement Office" and mailed to:

Department of Administration
General Services Division
ATTN: "Statewide Contracts Administrative Fee"
100 N. 15th Avenue, Suite 202
Phoenix, AZ 85007

5. The Administrative Fee shall be a part of the Contractor's unit prices and is not to be charged directly to the customer in the form of a separate line item. Statewide contracts shall not have separate prices for State Agency customers and State Purchasing Cooperative customers.

6. Contractor's failure to remit administrative fees in a timely manner consistent with the contract's requirements may result in the State exercising any recourse available under the contract or as provided for by law.

R. Acceptance

Determination of the acceptability of services shall be made by the sole judgment of the State. Acceptance shall be in writing, verbal acceptance will not be allowed. Services shall be completed in accordance with the Scope of Work, agreed to and accepted schedules, plans, and agreed to performance standards. Acceptance shall be one hundred percent (100%) functionality, which will be determined by the State. Acceptance criteria shall include, but not be limited to conformity to the scope of work, quality of workmanship and successfully performing all required Tasks. Nonconformance to any of the stated acceptance and performance criteria of both services and or products as required shall result in a delay for payment. Payment shall not be made until nonconformance to the criteria is corrected as determined by the State.

T. Performance

Contractor agrees that, from and after the date that the applicable services commence, its performance of the Scope of Services will meet or exceed industry best practices subject to the limitations and in accordance with the provisions set forth in this Contract. If the Services provided pursuant to this Contract are changed, modified or enhanced (whether by Change Order or through the provision of new Services), The State and the Contractor will review the current performance experience and will in good faith determine whether such experience should be adjusted and whether additional services should be implemented or whether services be removed. The following requirements shall also apply:

1. Failure to Perform

   If Contractor fails to complete any deliverable, then Contractor shall:

   1.1 Promptly perform a root-cause analysis to identify the cause of such failure;

   1.2 Use commercially reasonable efforts to correct such failure and to begin meeting the requirements as promptly as practicable;

   1.3 Provide the State with a report detailing the cause of, and procedure for correcting, such

failure; and

1.4 If appropriate under the circumstances, take action to avoid such failure in the future.

2. Root-Cause Analysis

In the event of the Contractor's failure to perform required services or meet agreed upon service levels or other Contractor service standards as required by the State under this Contract, the Contractor shall perform an analysis of the cause of the service level problem and implement remediation steps as appropriate. The State shall have the right to review the analysis and approve the remediation steps prior to or subsequent to their implementation, as deemed appropriate by the State, if the remediation steps impact State assets or operational processes.

U. Compensation

Should the Contractor fail to provide all required services or deliver work products, as agreed upon by State and the Contractor, the State shall be entitled to invoke applicable remedies, including but not limited to, withholding payment to the Contractor and declaring the Contractor in material breach of the Contract. If the Contractor is in any manner in default of any obligation or the Contractor's work or performance is determined by the State to be defective, sub-standard, or if audit exceptions are identified, the State may, in addition to other available remedies, either adjust the amount of payment or withhold payment until satisfactory resolution of the default, defect, exception or sub-standard performance. The Contractor shall reimburse the State on demand, or the State may deduct from future payments, any amounts paid for work products or performance which are determined to be an audit exception, defective or sub-standard performance. The Contractor shall correct its mistakes or errors without additional cost to the State. The State shall be the sole determiner as to defective or sub-standard performance.

The Contractor shall fulfill their contractual requirements including the Deliverables identified in the Statement of Work and fulfill the roles and responsibilities described in the Statement of Work for a firm fixed price, inclusive of travel and travel-related expenses. The fixed amount shall be inclusive of any fees for the use of any third party products or services required for use in the performance of this Contract

V. Contractor Performance Reports

Program management shall document Contractor performance, both exemplary and needing improvements where corrective action is needed or desired. Copies of corrective action reports will be forwarded to the Procurement Office for review and any necessary follow-up. The Procurement Office may contact the Contractor upon receipt of the report and may request corrective action. The Procurement Office shall discuss the Contractor's suggested corrective action plan with the Procurement Specialist for approval of the plan.

W. Offshore Performance of Work Prohibited

Due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States. Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and may involve access to secure or sensitive data or personal client data or development or modification of software for the State shall be performed within the borders of the United States. Unless specifically stated otherwise in the specifications, this definition does not apply to indirect or "overhead" services, redundant back-up

services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers.

X. Indemnification and Insurance

1.1 Indemnification Clause

To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, and any jurisdiction or agency issuing permits for any work included in the project, and their respective directors, officers, officials, agents and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, costs, losses, or expenses, (including reasonable attorney's fees), (hereinafter collectively referred to as "Claims") arising out of actual or alleged bodily injury or personal injury of any person (including death) or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of Contractor's directors, officers, agents, employees, volunteers or subcontractors. This indemnity includes any claim or amount arising or recovered under the Workers' Compensation Law or arising out of the failure of Contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnitee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnitee, be indemnified by Contractor from and against any and all Claims. It is agreed that Contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. This indemnification will survive the termination of the above listed contract with the Contractor.

This indemnity shall not apply if the contractor or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.

1.2 Insurance Requirements

1.2.1 Contractor and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Contract, insurance against claims for injury to persons or damage to property arising from, or in connection with, the performance of the work hereunder by the Contractor, its agents, representatives, employees or subcontractors.

1.2.2 The Insurance Requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that arise out of the performance of the work under this Contract by the Contractor, its agents, representatives, employees or subcontractors, and the Contractor is free to purchase additional insurance.

1.3 Minimum Scope and Limits of Insurance

Contractor shall provide coverage with limits of liability not less than those stated below.

1.3.1 Commercial General Liability (CGL) – Occurrence Form
Policy shall include bodily injury, property damage, and broad form contractual liability coverage.

General Aggregate	$2,000,000
Products – Completed Operations Aggregate	$1,000,000
Personal and Advertising Injury	$1,000,000
Damage to Rented Premises	$50,000
Each Occurrence	$1,000,000

a. The policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.
b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

1.3.2 Business Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or non-owned automobiles used in the performance of this Contract.

- Combined Single Limit (CSL) $1,000,000

Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Contractor involving automobiles owned, hired and/or non-owned by the Contractor.
c. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

1.3.3 Workers' Compensation and Employers' Liability

- Workers' Compensation Statutory
- Employers' Liability
  - Each Accident $1,000,000
  - Disease – Each Employee $1,000,000
  - Disease – Policy Limit $1,000,000

d. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards,

commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

e. This requirement shall not apply to each Contractor or subcontractor that is exempt under A.R.S. § 23-901, and when such Contractor or subcontractor executes the appropriate waiver form (Sole Proprietor or Independent Contractor).

1.3.4 Technology Errors & Omissions Insurance

- Each Claim $2,000,000
- Annual Aggregate $2,000,000

f. Such insurance shall cover any, and all errors, omissions, or negligent acts in the delivery of products, services, and/or licensed programs under this contract.

g. Coverage shall include or shall not exclude settlement and/or defense of claims involving intellectual property, including but not limited to patent or copyright infringement.

h. In the event that the Tech E&O insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years, beginning at the time work under this Contract is completed.

1.3.5 Media Liability Coverage

- Each Claim $2,000,000
- Annual Aggregate $2,000,000

i. Such insurance shall cover any and all errors and omissions or negligent acts in the production of content, including but not limited to plagiarism, defamation, libel, slander, false advertising, invasion of privacy, and infringement of copyright, title, slogan, trademark, service mark and trade dress.

j. In the event that the Media Liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract and, either continuous coverage will be maintained, or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

1.4 Additional Insurance Requirements

The policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

1.4.1 The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor shall be primary and that any insurance carried by the Department, its agents,

officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 (E).

1.4.2 Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract.

1.5 Notice of Cancellation

Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to (State Representative's Name, Address & Fax Number).

1.6 Acceptability of Insurers

Contractor's insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

1.7 Verification of Coverage

Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) as required by this Contract. An authorized representative of the insurer shall sign the certificates.

1.7.1 All certificates and endorsements, as required by this written agreement, are to be received and approved by the State of Arizona before work commences. Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

1.7.2 All certificates required by this Contract shall be sent directly to the Department. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time.

1.8 Subcontractors

Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance

Requirements identified above. The Department reserves the right to require, at any time throughout the life of this contract, proof from the Contractor that its subcontractors have the required coverage.

1.9 Approval and Modifications

The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract, as deemed necessary. Such action will not require a formal Contract amendment but may be made by administrative action.

1.10 Exceptions

In the event the Contractor or subcontractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a certificate of self-insurance. If the Contractor or subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

Y. Data Privacy and Security

Contractor shall treat all information obtained through performance of the contract, as confidential or sensitive information consistent with State and federal law and State Policy. Contractor or its agents shall not use any data obtained in the performance of the contract in any manner except as necessary for the proper discharge of its obligations and protection of its rights related to this agreement. Contractor shall establish and maintain procedures and controls acceptable to the State for the purpose of assuring that data in its or its agents' possession is not mishandled, misused, released, disclosed, or used in an inappropriate manner in performance of the contract. This includes data contained in Contractor's records obtained from the State or others, necessary for contract performance. Contractor and its agents shall take all reasonable steps and precautions to safeguard this information and data and shall not divulge the information or data to parties other than those needed for the performance of duties under the contract.

Z. Data Privacy/Security Incident Management

Contractor and its agents shall cooperate and collaborate with appropriate State personnel to identify and respond to an information security or data privacy incident, including a security breach.

1. Threat of Security Breach

   Contractor(s) agrees to notify the State Chief Information Officer (CIO), the State Chief Information Security Officer (CISO) and other key personnel as identified by the State of any perceived threats placing the supported infrastructure and/or applications in danger of breach of security. The speed of notice shall be at least commensurate with the level of threat, as perceived by the Contractor(s). The State agrees to provide contact information for the State CIO, CISO and key personnel to the Contractor(s).

2. Discovery of Security Breach

   Contractor agrees to immediately notify the State CIO, the CISO and key personnel as identified by the State of a discovered breach of security. The State agrees to provide contact information

for the State CIO, the CISO and key personnel.

AA. Security Requirements for Contractor Personnel

Each individual proposed to provide services through this contract agrees to security clearance and background check procedures, including fingerprinting, as defined by the Arizona Department of Administration in accordance with Arizona Revised Statutes §41-710. The results of the individual's background check procedures must meet all HIPAA and law enforcement requirements. Contractor is responsible for all costs to obtain security clearance for their consultants providing services through this contract. Contractor personnel, agents or sub-contractors that have administrative access to the State's networks may be subject to any additional security requirements of the State as may be required for the performance of the contract. The Contractor, its agents and sub-contractors shall provide documentation to the State confirming compliance with all such additional security requirements for performance of the contract. Additional security requirements include but are not limited to the following:

1. Identity and Address Verification – that verifies the individual is who he or she claims to be including verification of the candidate's present and previous addresses;
2. UNAX/confidentiality Training;
3. HIPAA Privacy and Security Training; and
4. Information Security Training.

BB. Access Constraints and Requirements

Contractor access to State facilities and resources shall be properly authorized by State personnel, based on business need and will be restricted to least possible privilege. Upon approval of access privileges, the Contractor shall maintain strict adherence to all policies, standards, and procedures. Policies / Standards, ADOA/ASET Policies / Procedures, and Arizona Revised Statues (A.R.S.) §28-447, §28-449, §38-421, §13-2408, §13-2316, §41-770.

Failure of the Contractor, its agents or subcontractors to comply with policies, standards, and procedures including any person who commits an unlawful breach or harmful access (physical or virtual) will be subject to prosecution under all applicable state and / or federal laws.

Any and all recovery or reconstruction costs or other liabilities associated with an unlawful breach or harmful access shall be paid by the Contractor.

CC. Health Insurance Portability and Accountability Act of 1996

The Contractor warrants that it is familiar with the requirements of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH Act) of 2009, and accompanying regulations and will comply with all applicable HIPAA requirements in the course of this Contract. Contractor warrants that it will cooperate with the State in the course of performance of the Contract so that both the State and the Contractor will be in compliance with HIPAA, including cooperation and coordination with the Arizona Strategic Enterprise Technology (ASET) Group, Statewide Information Security and Privacy Office (SISPO), Chief Privacy Officer and HIPAA Coordinator and other compliance officials required by HIPAA and its regulations. Contractor will sign any documents that are reasonably necessary to keep the State and Contractor in compliance with

HIPAA, including but not limited to, business associate agreements.

If requested, the Contractor agrees to sign a "Pledge to Protect Confidential Information" and to abide by the statements addressing the creation, use and disclosure of confidential information, including information designated as protected health information and all other confidential or sensitive information as defined in policy. In addition, if requested, Contractor agrees to attend or participate in job related HIPAA training that is: (1) intended to make the Contractor proficient in HIPAA for purposes of performing the services required and (2) presented by a HIPAA Privacy Officer or other person or program knowledgeable and experienced in HIPAA and who has been approved by the ASET/SISPO Chief Privacy Officer and HIPAA Coordinator.

Suggested References:
https://www.cms.gov/Regulations-and-Guidance/HIPAA-Administrative-Simplification/HIPAAGenInfo/downloads/hipaalaw.pdf

http://www.hhs.gov/ocr/privacy/hipaa/understanding/

DD. Compliance Requirements for A.R.S. § 41-4401, Government Procurement: E-Verify Requirement

1. The Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A. (That subsection reads: "After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.)
2. A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the Contract and the Contractor may be subject to penalties up to and including termination of the Contract.
3. Failure to comply with a State audit process to randomly verify the employment records of Contractors and subcontractors shall be deemed a material breach of the Contract and the Contractor may be subject to penalties up to and including termination of the Contract.
4. The State Agency retains the legal right to inspect the papers of any employee who works on the Contract to ensure that the Contractor or subcontractor is complying with the warranty under paragraph One (1).

5.2 State of Arizona Uniform Terms and Conditions

1. Definition of Terms

As used in this Solicitation and any resulting Contract, the terms listed below are defined as follows:

1.1. *"Attachment"* means any item the Solicitation requires the Offeror to submit as part of the Offer.

1.2. *"Contract"* means the combination of the Solicitation, including the Uniform and Special Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.

1.3. "*Contract Amendment"* means a written document signed by the Procurement Officer that is issued for the purpose of making changes in the Contract.

1.4. *"Contractor"* means any person who has a Contract with the State.

1.5. *"Days"* means calendar days unless otherwise specified.

1.6. *"Exhibit"* means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.

1.7. *"Gratuity"* means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.

1.8. "*Materials"* means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.

1.9. *"Procurement Officer"* means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.

1.10. *"Services"* means the furnishing of labor, time or effort by a contractor or subcontractor which does not involve the delivery of a specific end product other than required reports and performance, but does not include employment agreements or collective bargaining agreements.

1.11. *"Subcontract"* means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.

1.12. *"State"* means the State of Arizona and Department or Agency of the State that executes the Contract.

1.13. *"State Fiscal Year"* means the period beginning with July 1 and ending June 30.

2. Contract Interpretation

2.1. Arizona Law. The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.

2.2. Implied Contract Terms. Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.

2.3. Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:

2.3.1. Special Terms and Conditions;

2.3.2. Uniform Terms and Conditions;

2.3.3. Statement or Scope of Work;

2.3.4. Specifications;

2.3.5. Attachments;

2.3.6. Exhibits;

2.3.7. Documents referenced or included in the Solicitation.

2.4. Relationship of Parties. The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.

2.5. Severability. The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.

2.6. No Parole Evidence. This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.

2.7. No Waiver. Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

3. Contract Administration and Operation

3.1. Records. Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

3.2. Non-Discrimination. The Contractor shall comply with State Executive Order No. 2009-09 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.

3.3. Audit. Pursuant to ARS § 35-214, at any time during the term of this Contract and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.

3.4. Facilities Inspection and Materials Testing. The Contractor agrees to permit access to its facilities, subcontractor facilities and the Contractor's processes or services, at reasonable times for inspection of the facilities or materials covered under this Contract. The State shall also have the right to test, at its own cost, the materials to be supplied under this Contract. Neither inspection of the Contractor's facilities nor materials testing shall constitute final acceptance of the materials or services. If the State determines non-compliance of the materials, the Contractor shall be responsible for the payment of all costs incurred by the State for testing and inspection.

3.5. Notices. Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless

otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation cover sheet, unless otherwise stated in the Contract. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.

3.6. Advertising, Publishing and Promotion of Contract. The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the Procurement Officer.

3.7. Property of the State. Any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.

3.8. Ownership of Intellectual Property. Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract ("Intellectual Property"), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.

3.9. Federal Immigration and Nationality Act. The contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to; suspension of work, termination of the contract for default and suspension and/or debarment of the contractor.

3.10 E-Verify Requirements. In accordance with A.R.S. § 41-4401, Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A.

3.11 Offshore Performance of Work Prohibited.
Any services that are described in the specifications or scope of work that directly serve the State of Arizona or its clients and involve access to secure or sensitive data or personal client data shall be performed within the defined territories of the United States. Unless specifically

stated otherwise in the specifications, this paragraph does not apply to indirect or 'overhead' services, redundant back-up services or services that are incidental to the performance of the contract. This provision applies to work performed by subcontractors at all tiers.

4. Costs and Payments

4.1. Payments. Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the State within thirty (30) days.

4.2. Delivery. Unless stated otherwise in the Contract, all prices shall be F.O.B. Destination and shall include all freight delivery and unloading at the destination.

4.3. Applicable Taxes.

4.3.1. Payment of Taxes. The Contractor shall be responsible for paying all applicable taxes.

4.3.2. State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.

4.3.3. Tax Indemnification. Contractor and all subcontractors shall pay all Federal, state and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under Federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

4.3.4. IRS W9 Form. In order to receive payment the Contractor shall have a current I.R.S. W9 Form on file with the State of Arizona, unless not required by law.

4.4. Availability of Funds for the Next State fiscal year. Funds may not presently be available for performance under this Contract beyond the current state fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current state fiscal year until funds are made available for performance of this Contract.

4.5. Availability of Funds for the current State fiscal year. Should the State Legislature enter back into session and reduce the appropriations or for any reason and these goods or services are not funded, the State may take any of the following actions:

4.5.1. Accept a decrease in price offered by the contractor;

4.5.2. Cancel the Contract; or

4.5.3. Cancel the contract and re-solicit the requirements.

5. Contract Changes

5.1. Amendments. This Contract is issued under the authority of the Procurement Officer who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is

not specifically authorized by the procurement officer in writing or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.

5.2. Subcontracts. The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the Procurement Officer. The Contractor shall clearly list any proposed subcontractors and the subcontractor's proposed responsibilities. The Subcontract shall incorporate by reference the terms and conditions of this Contract.

5.3. Assignment and Delegation. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the Procurement Officer. The State shall not unreasonably withhold approval.

6. **Risk and Liability**

6.1. Risk of Loss: The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.

6.2. Indemnification

6.2.1. Contractor/Vendor Indemnification (Not Public Agency) The parties to this contract agree that the State of Arizona, its departments, agencies, boards and commissions shall be indemnified and held harmless by the contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further agree that the State of Arizona, its departments, agencies, boards and commissions shall be responsible for its own negligence. Each party to this contract is responsible for its own negligence.

6.2.2. Public Agency Language Only Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers."

6.3. Indemnification - Patent and Copyright**.** The Contractor shall indemnify and hold harmless the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract. The State shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph. If the contractor is insured pursuant to A.R.S. § 41-621 and § 35-154, this section shall not apply.

6.4. Force Majeure.

6.4.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in

default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term *"force majeure"* means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

6.4.2. Force Majeure shall not include the following occurrences:

6.4.2.1. Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;

6.4.2.2. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or

6.4.2.3. Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

6.4.3. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day, of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

6.4.4. Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

6.5. Third Party Antitrust Violations. The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor, toward fulfillment of this Contract.

7. Warranties

7.1. Liens. The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.

7.2. Quality. Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the State of the materials, they shall be:

7.2.1. Of a quality to pass without objection in the trade under the Contract description;

7.2.2. Fit for the intended purposes for which the materials are used;

7.2.3. Within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;

7.2.4. Adequately contained, packaged and marked as the Contract may require; and

7.2.5. Conform to the written promises or affirmations of fact made by the Contractor.

7.3. Fitness. The Contractor warrants that any material supplied to the State shall fully conform to all requirements of the Contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.

7.4. Inspection/Testing. The warranties set forth in subparagraphs 7.1 through 7.3 of this paragraph are not affected by inspection or testing of or payment for the materials by the State.

7.5. Compliance With Applicable Laws. The materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable license and permit requirements.

7.6. Survival of Rights and Obligations after Contract Expiration or Termination.

7.6.1. Contractor's Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S., Title 12, Chapter 5.

7.6.2. Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the Procurement Officer, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

8. State's Contractual Remedies

8.1. Right to Assurance. If the State in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, the Procurement Officer may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of Days specified in the demand may, at the State's option, be the basis for terminating the Contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.

8.2. Stop Work Order.

8.2.1. The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of days indicated by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

8.2.2. If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The Procurement Officer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and

the Contract shall be amended in writing accordingly.

8.3. Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.

8.4. Nonconforming Tender. Materials or services supplied under this Contract shall fully comply with the Contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.

8.5. Right of Offset. The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9. Contract Termination

9.1. Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.

9.2. Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by the Contractor.

9.3. Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the contractor is not currently suspended or debarred. If the contractor becomes suspended or debarred, the contractor shall immediately notify the State.

9.4. Termination for Convenience. The State reserves the right to terminate the Contract, in whole or in part at any time when in the best interest of the State, without penalty or recourse. Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, data and reports prepared by

the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply.

9.5. Termination for Default.

9.5.1. In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The Procurement Officer shall provide written notice of the termination and the reasons for it to the Contractor.

9.5.2. Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.

9.5.3. The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring materials or services in substitution for those due from the Contractor.

9.6. Continuation of Performance Through Termination. The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.

10. Contract Claims

All contract claims or controversies under this Contract shall be resolved according to A.R.S. Title 41, Chapter 23, Article 9, and rules adopted thereunder.

11. Arbitration

The parties to this Contract agree to resolve all disputes arising out of or relating to this contract through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518, except as may be required by other applicable statutes (Title 41).

12. Comments Welcome

The State Procurement Office periodically reviews the Uniform Terms and Conditions and welcomes any comments you may have. Please submit your comments to: State Procurement Administrator, State Procurement Office, 100 North 15th Avenue, Suite 201, Phoenix, Arizona, 85007.

Attachment A: Qualifications

1. Overall Company Information

Requirement

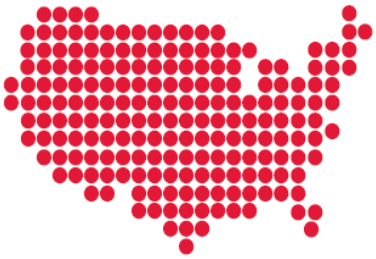
1.1 Business Operations
1.1.1 Provide a Brief overview of business operations, with an emphasis on the provision of services as a Software Value-Added Reseller.

Response

CDW was founded in 1984 as a home-based business, and has since grown tremendously through strategic partnerships, online and onsite inventories and services, and strong technical expertise to earn $12 billion in net sales in 2014. CDW partners with over 1,000 manufacturers to offer a portfolio of 100,000-plus products. Over 7,000 individuals constitute the CDW workforce, ranging from salespeople and field executives to administrative and service experts to highly skilled technology specialists and engineers.

Incorporated in 1998, CDW·G is the wholly owned subsidiary of CDW LLC that focuses on the public sector, including federal, state, and local government agencies, educational institutions, and healthcare facilities. With over 200 government and education contracts, we are the nation's largest direct response provider of multi-brand IT solutions. We are currently the largest value-added reseller in the United States, ranked #253 on the 2015 *Fortune 500* list.

CDW·G focuses on building strong customer relationships by leveraging our knowledgeable account managers and technical specialists to provide extensive pre- and post-award support. Our experts lead the industry in public-sector customer service and product knowledge, directly benefitting the various personnel of our public-sector customers.



Software Services

CDW is a market-leading software provider with $3 billion annually in software revenue. Through our distribution partner network, we offer nearly every software title available on the market today and have direct partnerships with over 300 software partners. As a company, we manage 25,000 software agreements and process over 180,000 annual software renewals. For the key itemized publishers named in this RFP, we maintain top-tier partnerships (e.g., Adobe Platinum Partner) and regularly receive annual awards (e.g., 2014 Microsoft O365 Sales Achievement Award).

Proof of Authorization

Our ability to supply NASPO ValuePoint members with the key and secondary itemized software publishers listed in the RFP rests on the strong partnerships forged with industry-leading manufacturers, whose solutions meet the needs of our public sector customers. Letters of authorization for each publisher can be provided upon request.

Key Itemized Publishers		
Publisher	**Relationship with CDW·G**	**Learn More**
Adobe	▪ Fully authorized Adobe Licensing Center (ALC) ▪ Platinum Channel Partner ▪ Adobe's largest and most successful reseller partner since 2001 ▪ CDW named **Adobe 2015 Consumer and Business Worldwide Partner of the Year** at Global Sales Conference (12/15/2015) ▪ Internal Adobe support team (8 licensing specialists, 1 Creative Cloud program specialists, 1 senior brand manager) ▪ The only Adobe reseller with multiple dedicated, onsite channel account managers (23 total)	www.cdwg.com/content/brands/adobe/
Citrix	▪ Citrix LAR Certified Partner certification ▪ Large Account Reseller Partner of the Year 2013, 2012, 2011 at Citrix Summit conference ▪ Internal Citrix specialist team (1 partner specialist, 3 technical specialists, 2 business development specialists, 1 brand manager) ▪ Hold over 400 Citrix certifications (e.g., CCA/Certified Administrator, CCEA/Certified Enterprise Administrator, CCSP/Certified Sales Professional)	www.cdwg.com/content/brands/citrix/
Microsoft	▪ Microsoft Gold Certified Partner, Software Asset Management (SAM) Partner, Authorized Direct Reseller (ADR) for Open Value licensing programs ▪ Number-one ranked Licensing Solution Provider (LSP) and Enterprise Software Advisor (ESA) ▪ Manage over 25,000 active Microsoft agreements ▪ Largest Microsoft Partner in Office 365 customer deployments, contract volume LSP of EAs/SAs, new enterprise agreements ▪ 2014 US OEM Reseller of the Year, Office 365 Sales Achievement Award, Experience Center (MEC) Partner of the Year	www.cdwg.com/content/brands/microsoft/
Novell	▪ Novell Gold Partner with distinctions: o ALA, MLSA, SLA, VLA, VLA academic, VLA nonprofit/government authorized reseller o End-user computing sales specialization o California SLP contract authorized reseller o NetIQ authorized reseller ▪ **4/6/2015:** Micro Focus completed its merger with The Attachmate Group, which acquired acquired Novell, Inc. (4/27/2011); Novell now operates as two separate business units under Novell® and SUSE® brand names, having joined Attachmate® and NetIQ® as holdings of The Attachmate Group	www.cdwg.com/content/brands/novell/

Key Itemized Publishers		
Publisher	**Relationship with CDW·G**	**Learn More**
Symantec	▪ Symantec Platinum Partner ▪ Named the **Symantec 2015 National Access Reseller (NAR) Innovation Partner of the Year** at Partner Engage awards (11/5/2015) ▪ Largest/top-selling LAR partner; Specialization Member (includes Endpoint Management, Data Loss Prevention, IT Compliance, Managed Security Services, SMB Backup, SMB Security, Enterprise Security, Archiving and eDiscovery, Data Protection with NetBackup, Storage Management) ▪ Dedicated internal Symantec team (16 CDW-badged coworkers (segment, renewals))	www.cdwg.com/content/brands/symantec/
VMware	▪ VMware Authorized Consulting (VAC) Program Gold member ▪ 2014 Global and Americas Marketing Partner of the Year award at VMware Partner Exchange ▪ 55+ dedicated internal VMware personnel (1 onsite brand manager, 6 pre-sales support specialists, 4 vCloud Air pre-sales/technical/business development specialists, 1 end-user computing channel account representative, 3 business development specialists, 5 renewal specialists, 5 capacity planner assessment engineers, 2 national account managers, 12 inside sales reps, 2 systems engineers, 14 virtualization solution architects) ▪ Over 1,500 VMware Sales Professional (VSP) accreditations; 34 VMware Certified Professional (VCP) accreditations; 71 VMware Technical Sales Professional (VTSP) accreditations	www.cdwg.com/content/brands/vmware/

Requirement

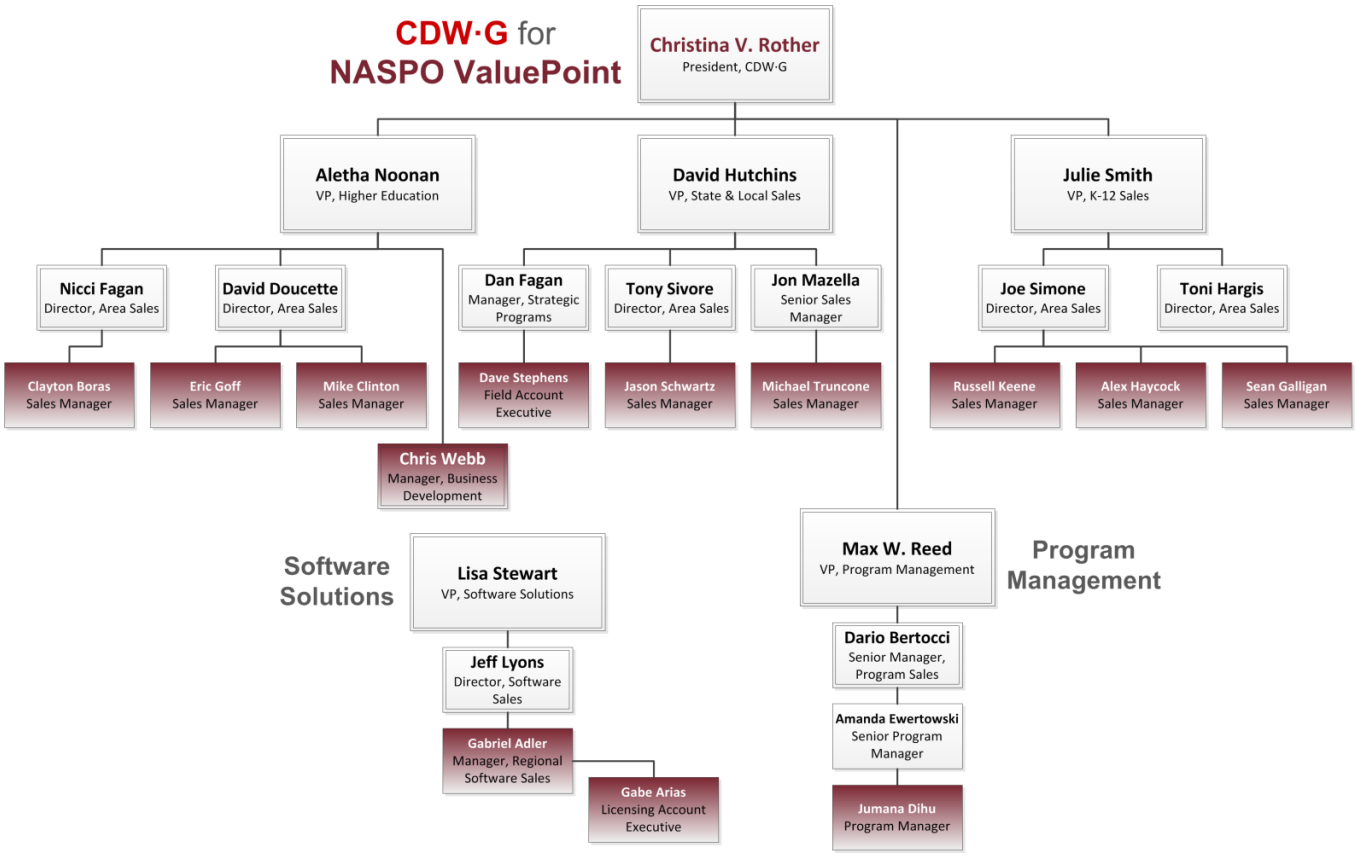
1.1.2 Provide the following information using the format below.

Response

1.1 Business Operations	
Required Information	**Offeror's Response**
1.1.2.1 Offeror's full legal name	CDW Government LLC (CDW·G)
1.1.2.2 Primary business contact information (name, address, phone number, email address, website)	Jason Schwartz, Sales Manager 230 N Milwaukee Ave Vernon Hills, IL 60061 P: 877.325.0934 E: jasons@cdw.com W: cdwg.com/PeopleWhoGetIT
1.1.2.3 Date Company was established	CDW·G was incorporated in 1998; parent company CDW was founded in 1984.
1.1.2.4 Location where the Offeror is incorporated	CDW·G is incorporated in the state of Illinois.
1.1.2.5 Ownership structure (public, partnership, subsidiary, etc.)	CDW Government LLC is a wholly owned subsidiary of CDW LLC, which is owned by CDW Corporation, a publicly traded entity under NASDAQ (ticker symbol "CDW").
1.1.2.6 Office location(s)	**Corporate Headquarters**

1.1 Business Operations	
Required Information	**Offeror's Response**
responsible for performance of contract. Include address, contact information.	230 N Milwaukee Ave Vernon Hills, IL 60061 P: 800.808.4239 **Eastern Distribution Center** 200 N Milwaukee Ave Vernon Hills, IL 60061 P: 847.465.6000 **Western Distribution Center** 3201 E Alexander Road North Las Vegas, NV 89030 P: 702.495.5000
1.1.2.7 Organizational chart relevant to Scope of Work of this solicitation.	An organizational chart pertaining to this solicitation immediately follows this table. Names in **red boxes** have resumes included in this Attachment.
1.1.2.8 Contact information for the individual who is responsible for any clarifications or discussions regarding the submitted response.	Edie Harris, Proposal Manager P: 312.705.6285 E: ellharr@cdw.com

The following organizational chart is indicative of the personnel structure that will be supporting the NASPO ValuePoint contract and its members throughout the life of the agreement. Names in **red boxes** have resumes included in this Attachment.



Requirement

1.2 Key Personnel—Provide the information, using the format below, regarding each Key Personnel for a resultant contract for items 1.2.1 through 1.2.5:

Response

The following key personnel will participate in serving the NASPO ValuePoint contract and its participating member agencies. Please note that the named personnel included in this response are not meant to provide an exhaustive list of the CDW·G sales, software, and support individuals who will be involved in serving this contract's participating states.

Program Management

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Jumana Dihu
1.2.2 Position/Title and reporting responsibilities	Program Manager, State & Local Government
1.2.3 Years of industry experience	13 years
1.2.4 Years in current position	Two (2) years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Program Manager; will oversee NASPO ValuePoint contract details post-award, including reports, audits, and management

Software Solutions

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Gabriel Adler
1.2.2 Position/Title and reporting responsibilities	Sales Manager, Software Solutions
1.2.3 Years of industry experience	Nine (9) Years
1.2.4 Years in current position	Two (2) years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Software; oversees team of licensing account executives and field specialists, grows public-sector software sales

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Gabe Arias
1.2.2 Position/Title and reporting responsibilities	Licensing Account Executive, Software Solutions
1.2.3 Years of industry experience	Nine (9) years
1.2.4 Years in current position	Four (4) years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Licensing Account Executive, Software; helps NASPO ValuePoint customers manage software investments and cultivates trusted client relationships at CIO/Director level within state agencies

State & Local Sales

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Jason Schwartz
1.2.2 Position/Title and reporting responsibilities	Sales Manager, State & Local
1.2.3 Years of industry experience	10 years
1.2.4 Years in current position	Two (2) years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Pacific Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Michael Truncone
1.2.2 Position/Title and reporting responsibilities	Sales Manager, State & Local
1.2.3 Years of industry experience	11 years
1.2.4 Years in current position	One (1) year
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Keystone Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with

1.2 Key Personnel	
Required Information	**Offeror's Response**
	publishers/manufacturers, long-term contract success strategy

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Clayton Boras
1.2.2 Position/Title and reporting responsibilities	Sales Manager, State & Local
1.2.3 Years of industry experience	17 years
1.2.4 Years in current position	12 years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Keystone Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Dave Stephens
1.2.2 Position/Title and reporting responsibilities	Business Development Manager, Public Safety
1.2.3 Years of industry experience	30 years
1.2.4 Years in current position	Seven (7) years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Business Development, Northwest and Pacific Geographies (15 states); works with publishers/manufacturers and NASPO ValuePoint customers to determine best-fit solution options

K–12 Sales

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Russell Keene
1.2.2 Position/Title and reporting responsibilities	Sales Manager, K–12 Sales
1.2.3 Years of industry experience	19 years
1.2.4 Years in current position	12 years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Pacific Geography (includes Arizona, Hawaii); oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Alex Haycock
1.2.2 Position/Title and reporting responsibilities	Sales Manager, K–12 Sales
1.2.3 Years of industry experience	Five (5) years
1.2.4 Years in current position	One (1) year
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, North Pacific (California and Alaska) Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Sean Galligan
1.2.2 Position/Title and reporting responsibilities	Sales Manager, K–12 Sales
1.2.3 Years of industry experience	Eight (8) years
1.2.4 Years in current position	One (1) year
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, New England Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

Higher Education Sales

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Mike Clinton
1.2.2 Position/Title and reporting responsibilities	Sales Manager, Higher Education
1.2.3 Years of industry experience	13 years
1.2.4 Years in current position	One (1) year
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Northwest Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Chris Webb
1.2.2 Position/Title and reporting responsibilities	Business Development Manager, Higher Education
1.2.3 Years of industry experience	11 years
1.2.4 Years in current position	Seven (7) years
1.2.5 Proposed role relative to Offered	Business Development, National Contracts; works

1.2 Key Personnel	
Required Information	**Offeror's Response**
services. Include the functions and tasks for which they will have prime responsibilities.	with publishers/manufacturers and NASPO ValuePoint customers to determine best-fit solution options

1.2 Key Personnel	
Required Information	**Offeror's Response**
1.2.1 Name	Eric Goff
1.2.2 Position/Title and reporting responsibilities	Sales Manager, Higher Education
1.2.3 Years of industry experience	15 years
1.2.4 Years in current position	Seven (7) years
1.2.5 Proposed role relative to Offered services. Include the functions and tasks for which they will have prime responsibilities.	Sales Manager, Pacific Geography; oversees account managers handling NASPO ValuePoint members, maintains regional relationships with publishers/manufacturers, long-term contract success strategy

Requirement

1.2.6 In addition, provide a brief resume which contains education/credentials/certifications/employment.

Response

Resumes for the named key personnel in the previous requirement are featured at the end of this section, in the following order:

- Jumana Dihu
- Gabriel Adler
- Gabe Arias
- Jason Schwartz
- Michael Truncone
- Clayton Boras
- Dave Stephens
- Russell Keene
- Alex Haycock
- Sean Galligan
- Mike Clinton
- Chris Webb
- Eric Goff

Requirement

1.3 Account Management Team—Provide a description of the responsibilities of the dedicated account management team(s) that would be assigned to each Participating State under resultant contract. Include a description of how the account management structure ensures that service will continue despite vacations, illness, other absences or resignations.

Response

Whenever an **account manager** (AM) is out of the office (e.g., vacation, illness, absence), they designate a fellow coworker to assist their customers, leaving no gap in support.

This designated backup AM will be an individual who supports other NASPO ValuePoint customers, to ensure knowledge of contract requirements. As an extra point of redundancy, customers can also reach out to our CDW·G general sales support team at the following:

- Phone: 800.808.4239
- Email: cdwgsales@web.cdwg.com
- Chat: www.cdwg.com

Our Connecticut-based team staffing these lines of communication is available Monday-Friday, 7am-6pm CST. In instances of coworker resignation, the sales manager overseeing a given account team will assign the departing AM's customers to an experienced account manager who possesses familiarity with the NASPO ValuePoint contract and purchase history.

Account managers are proactively available to their customers to make regular solution recommendations, in addition to addressing support concerns. For more familiar and less complex public-sector software solutions, the AM can call our Supplemental Presales Support line to assist with product research, competitive comparison, simple design, standard architecture, and more. If necessary, the AM will include the customer on this call to further craft the best solution.

With complex customer requests or solutions, the AM engages our **software licensing team**, and their technology specialists and solution architects. Within 48 hours of the initial request, this group works out an offer/solution to present to the customer, including (but not limited to) features, cost analysis, licensing agreement/contract details, interoperability with current environment, implementation actions, and any available maintenance or software assurance programs.

Sales managers work with our AMs to develop strategies that best serve customers for long-term success. They spend significant time meeting with customers to understand the dynamics of the local market, and will ensure NASPO ValuePoint customers receive full advantage of CDW·G's software offerings. Additionally, sales managers are responsible for building and maintaining strong relationships with our top manufacturing partners in each region. For example, leveraging a strong existing relationship with the area Symantec representative can provide contract-specific cost savings that benefit NASPO ValuePoint members.

When the number of customers being supported in a particular geographic location reaches a certain capacity, CDW·G dedicates a local resource to support the group. **Field account managers** work jointly with our AMs to provide comprehensive sales support, and are available for onsite business meetings as needed to offer project development, technical expertise, roadmapping, and business reviews.

These coworkers are responsible for promoting the contract to end-users, including **free** trainings in the field, presentations, and attendance at regional tech fairs. They will meet with NASPO ValuePoint, the LSCA, or agency customers for contract status and progress reports, and will assist in solving customer-service issues in the field.

Requirement

1.4 Subcontractors—Provide the following information for items 1.4.1 through 1.4.3, using the format below, for any subcontractors you propose to use.

- 1.4.1 Name of individual or company;
- 1.4.2 Proposed work to be performed;
- 1.4.3 Approximate percentage of work directed to subcontractor relative to total work under a resultant contract;
- 1.4.4 In addition, provide a brief resume which contains education / credentials / certifications / employment.

Response

For the purposes of this RFP, at the time of this submission, CDW·G is not proposing the use of any subcontracting partners.

2. Company's Experience

Requirement

Describe the Offeror's experience and expertise providing the following services:

- 2.1 Account Management (assume 'accounts' as equivalent to a state contract, and to a using municipality).

Response

Expert contract support is a hallmark of CDW·G's **program management team**. Most vendors—even large resellers—neglect to have a team devoted to managing their contracts, instead relying on salespeople for compliance and reporting issues, which can result in delayed responses, unreliable support, and potentially faulty reporting. CDW·G, however, understands that contracts are serious commitments, and we honor these commitments through our dedicated program management team.

Jumana Dihu will manage the NASPO ValuePoint SVAR contract and agreements. Ms. Dihu has over a decade of contract management experience and has been supporting our NASPO ValuePoint reseller agreements for over two years. Our account teams and manufacturing partners know Ms. Dihu is the resident expert for our NASPO ValuePoint contracts and often reach out to her for assistance on related issues. Other knowledgeable program managers will be actively supporting the contract, both as out-of-office backup for Ms. Dihu or in a scenario where she transitions to a new career level.

To support our NASPO ValuePoint customers, CDW·G provides one primary point-of-contact—an account manager (as described in **requirement 1.3**). Our account managers, their supporting product specialists, and their sales managers understand the current technology trends and are specialized to only work public-sector customers. The multiple teams that will be supporting the participating states are, by and large, generalists; they understand the broad range of equipment and services we offer and often have sales certifications for several leading manufacturers. Rather than organizing our account teams by solution type, we've seen greater customer benefit organizing them by the type and location of the patrons they serve.

By asking our generalist sales teams to have laser-like focus on their customers and a strong general understanding of our product offering, we ensure that we're matching the right products to each customer's highly individual needs. For this reason, we go through the effort of breaking down the geography that each of our account managers covers by having them work with customers that are closely located to each other.

This is done because we understand that our government customers like to benchmark how they purchase and what they purchase in relation to their neighbors. Due to this degree of granularity when distributing accounts, our account managers can propose products that an agency's counterpart is using in the next town, middle school, or university in many instances from personal experience.

However, we recognize that some of our products and services are so complex that a generalist's approach is not enough. That is where our specialized sales force comes in. Similar to the general account teams, our specialists are split between in-house teams and field teams. They are organized primarily around technology type (e.g., cloud, mobility, data centers, etc.) and secondarily around customer type. If an account manager or field account executive requires additional depth of knowledge for a certain type of solution, they'll call in their specialist resources.

Requirement

- 2.2 License Management.

Response

The Software Licensing Support Team is vital in ensuring purchases that are scalable and complement software that is currently in place, as well as those forecasted for future projects. Our software support team includes over 85 Software Licensing Specialists, 250 Presales Systems Engineers, and 45 Licensing Account Executives. They assist with the full scope of software licensing and assist customers with leveraging their buying power for software purchases; provide the right mix of software products; and offer cost analysis of available discounts and credits.

Dedicated account managers will help NASPO ValuePoint customers with software license management needs. License management is detailed further in **Attachment B**.

Requirement

- 2.3 Training

Response

After the six-week intensive training members of our sales team undergo, they continue to receive an average of 165 hours of training in their first year at CDW·G, and participate in more than 140 hours in each subsequent year of employment. Our sales teams are also proactive in being certified experts in the products they sell, with proof of this dedication in the numbers. For example, we have over 1,500 VMware Sales Professionals (VSPs) on staff; the result is more leads generated, stronger customer relationships, and the ability to help our customers prioritize their technology needs.

Requirement

- 2.4 Software Advisement

Response

The software-specific coworkers of CDW·G who collaborate with our account managers to help advise customers on their right-size solution include the following:

- **Software Licensing Specialists (SLS).** This team is certified in a wide array of the licensing programs members seek. SLSs are dedicated to assisting customers in understanding and navigating complex licensing options for the top software publishers. They help compare key features of different programs, and ensure interoperability of products and the accuracy and comprehensiveness of software quotes. They assist users in finding the best software to fit their needs, along with the most advantageous licensing level.
- **Partner Specialists.** These individuals provide insight into product features and functionality, making sure that software is being sold correctly. Among their duties, they provide accurate licensing solutions. The Partner Specialist teams providing support to CDW·G solutions include over 30 experts focused on our software offering. These coworkers are designated to a specific brand, such as Microsoft, or to a solution, such as cloud. This relates to expert assistance for not only key itemized manufacturers, but to all the publishers users are purchasing.
- **Cloud Client Executives (CCE).** Similar to our SLS team, our 14 CCEs work with our customers to provide guidance and optional engagements to align their unique business goals with a cloud plan that provides maximum benefits.

Requirement

- 2.5 Other (specify)

Response

CDW·G also leverages the following resources to provide unmatched support for customers' IT solutions:

Engineers

Also included in our recognizable attributes is an investment in engineers that are available to help design custom solutions. We have the largest team of engineers when compared to our direct IT competitors, more on par with the big integrator firms that serve the federal market—such as Boeing—than other potential respondents. Through the account teams located in strategic geographies across the nation, our engineers provide customers design and consultative services at **no additional charge**.

Partner Resources

Many of our OEM partners have staff dedicated to support CDW•G customers exclusively. In March 2015, over 340 partner coworkers from over 100 various partners were collocated with CDW•G, collaborating with our sales teams and engineers to provide expert help to our customers. The wide variety of partners that are onsite allows us to help customers analyze the best value among the products under consideration and provide the right product for each customer the first time.

Distribution Facilities

Our distribution infrastructure is another key reason why no other IT solution provider in the industry can match our ability to service NASPO ValuePoint customers. As our number of orders has increased across the public and corporate sector, we continue to achieve higher order accuracy year over year. We own two distribution centers that have one million square feet of storage space and stock over $200 million in inventory at any given time.

This combination of stock and shipping infrastructure allows us to ship on average 37,000 boxes per day. Despite all of these capabilities, we do not solely rely on our facilities to meet customer needs; we complement our own distribution centers with our distribution partner network, leveraging the most cost-effective solution for each individual product line and customer order.

Distribution Partner Network

Our Distribution Partner Network includes over 130 different suppliers, meaning we can provide any solution customers need. Similarly to our OEM partners, we're the largest partner for many of our distributors. Like our manufacturer partner relationships, this results in direct benefits for CDW•G, which we pass along to our customers.

Most partners send us EDI (Electronic Data Interchange) downloads or real time information on their available inventory, resulting in access to products usually in as little as a day. As an example, we are a top Ingram Micro partner and hold Elite Partner status. This partnership provides a customized and exclusive support resource to our account teams and customers, among other benefits.

3. Clients

Requirement

3.1 Provide information on Offeror's current government client list.

- 3.1.1 Explain the services provided to each and how long Offeror has been working with each.

Response

CDW·G has vested partnerships with nearly every government entity in the US. For insight into our customer base, we served over 5,200 customers in 2014 on our NASPO ValuePoint reseller agreements alone.

Our 2014 net sales to federal, state, and local governments totaled $1.5 billion; state and local government sales accounted for approximately 41 percent of these net sales. The top product categories provided to state and local government customers included software, notebooks/mobile devices, and enterprise storage. Specific to this RFP, software is a multibillion-dollar component of CDW's net revenue.

As a whole, we manage more than 25,000 software agreements and conduct over 18,000 software renewals annually. Additionally, we offer electronic delivery of many of our software solutions (about one-fifth of our total revenue). Many of these product sales were components of integrated solutions and coupled with services typical of solutions, such as Data Center, Unified Communications and Collaboration, Security, Mobility, and Cloud.

The average customer relationship for CDW, as a whole, is eight years. Our government customers sit at the highest end of the average, as our corporate customer relationships are typically no more than three years. Multiyear contracts and the cultivation of personal connections between customer and account manager attribute greatly to the lengthy tenure of these government relationships.

Requirement

- 3.1.2 List government contracts Offeror has gained over the past three (3) years. Provide an explanation of why Offeror was chosen.

Response

CDW·G has gained 363 public-sector contracts (non-federal) over the past (3) years; the list of these contracts is attached to this section of our response.

Most often, customers select CDW·G for contract award due to our capacity for managing large-scale agreements, as well as the value we can provide their purchasers and end-

users. Unique differentiators that lead to an award decision include our vendor agnosticism and the investment of ongoing sales training to best serve our customers. CDW·G employs over 1,300 account managers, meaning that size and consistency of support staff is a consistent development initiative in order to support national contracts such as NASPO ValuePoint with any necessary transitions.

Requirement

- 3.1.3 List government contracts Offeror has lost or resigned over the past three (3) years. Provide an explanation of why they were lost or resigned.

Response

As you can see from the following table, of the total 512 contracts lost or resigned, we were named to a new contract in 211 instances and awarded upon rebid in 73 instances, meaning that over half of the no-longer-current contracts are in new iterations being held by CDW·G.

3.1.3 Lost or Resigned Government Contracts	
Reason	**Number**
Agreement out to RFP	1
Agreement rebid and awarded to CDW·G	73
Agreement rebid and not awarded to CDW·G	7
CDW·G was named to a new Contract	211
Contract may be renewed, pending NY OGS	9
Moved purchasing to local cooperative agreements	7
Signed a new agreement	11
Unknown reason	82
We are still awaiting renewal	3
OEM did not sign a new contract	22
Contract expired and was not rebid/renewed	86
GRAND TOTAL	**512**

A full list is attached to this section of the response, as well.

Through the normal course of business, CDW·G's contract portfolio changes year to year. Contracts in the Public segment are generally terminable at any time for convenience of the contracting agency or group purchasing organization (GPO) or upon default. An adverse change in government spending policies (including ongoing budget cuts), budget priorities, or revenue levels could cause our government customers to reduce their purchases or to terminate or not renew their contracts with us. In the past three (3) years, CDW·G has not lost a contract to default. The primary reason our contracts end is when a customer is out of available options to extend the contract.

Requirement

3.2 If Offeror has no government clients, note this in your response and answer questions 3.1.1 through 3.1.3 based on non-government clients.

Response

As detailed, CDW·G has a substantial number of government clients. We provide our responses to 3.1.1 through 3.1.3 to reflect these relationships.

Requirement

3.3 References—Provide information for three (3) client references that replicate or are similar to the requirements of this solicitation. All references shall be for engagements received and completed within the last five (5) years. The State may, at its sole discretion, contact additional clients not presented as references. Reference information is to be provided using the following table format:

Response

The following references are submitted for NASPO ValuePoint review.

3.3 References			
Reference Information	**Client One**	**Client Two**	**Client Three**
Company Name	State of Illinois Central Management Services (CMS)	Federal Aviation Administration (FAA)	University of Washington
Type of Contract Product and Services Delivered	CDW·G's IL CMS Microsoft Large Account Reseller contract includes Microsoft Select, Enterprise Agreements, and Microsoft Academic Select. CMS currently has both a Microsoft Select and an Enterprise Agreement. CDW·G has held this contract for three consecutive iterations, starting in 2005. The current contract, recently awarded, expires September 2019.	Software contract includes but is not limited to ACD Systems, Software AG, EMC, HP, IBM, Oracle, and Symantec (among dozens of other publishers, including "weirdware"). With CDW·G has grown software sales from $5 million the first year of the contract to $26 million in GFY15, and grown hardware sales from $15 million to $37 million. Both catalog contracts (Software DTFACT-13-D-00004, Hardware DTFAWA-11-D-00057) are administered by the SAVES Contracts Office; mandatory for the FAA and open to the Department of Transportation	Software agreements under contract include Microsoft EES Agreement, VMware ELA, Citrix ELA, Adobe CLP (all Adobe products = 1,000+ orders annually) Support through assessing changes in UW's licensing needs, deploying software to end-users, providing guidance on new licensing/support structures, renewing maintenance for all OEMs, identifying large spend of similar products across campus to drive campus-wide agreements that reduce cost
Contact Name, Mailing Address, Phone Number, Email	James Ellenburg, Contracting Officer 120 W Jefferson 3rd Floor Springfield, IL 62702	Harry Lutz, Contracting Officer USDOT/FAA 800 Independence Ave SW Washington, DC 20591	Ray Hsu, Assistant Director, Procurement Services 4300 Roosevelt Way NE Seattle, WA 98195

3.3 References			
Reference Information	**Client One**	**Client Two**	**Client Three**
Address	P: 217.785.0897 E: james.ellenburg@illinois.gov	P: 609.485.6127 E: harry.lutz@faa.org Elizabeth Ford Ochs, Authorized Contract Officer P: 609.485.5557 E: elizabeth.ford@faa.gov Robert Cochran, Contracting Officer Representative P: 571.209.3111 E: robert.cochron@faa.gov	P: 206.543.0793 E: rayhsu@uw.edu
Contract Start and End Date	October 2015-November 2019	Software: May 2013-April 2018 Hardware: September 2011-September 2016	2010-2020 (10-year renewal)
Contract Value	Estimated $140 million/duration of contract	Software: sales through September 2015 = $52 million Hardware: sales through September 2015 = $96 million	$5 million/annual

4. Financial/Accounting Information and Disclosures

Requirement

4.1 Offeror must provide evidence of financial stability and capability to fund all cost associated with providing the services through the term of the Contract. The latest two (2) years audited annual financial statement(s), including Total Revenue, Net Income, and Total Assets, must be submitted with the Offeror's Offer. If audited financial data is unavailable, explain in full the reason and provide latest non-audited financial information to include Balance Sheet, Income Statement, as well as, Statement of Cash flows and Change in Financial position. Include information to attest to the accuracy of the information provided.

Response

Included at the end of this attachment are CDW's most recent 10K audit reports (2013 and 2014); audited financial statements are located in *Item 8: Financial Statements and Supplementary Data*.

CDW Financial Information		
	2014	**2013**
Total Revenue *(listed as Net Sales)*	$12,074.5 million	$10,768.6 million
Net Income	$244.9 million	$132.8 million
Total Assets	$6,099.9 million	$5,924.6 million

Online versions of these documents are also located at investor.cdw.com.

4.2 Disclosures

Requirement

4.2.1 Information regarding any irregularities that were discovered in any account maintained by the Offeror on behalf of others. Describe the circumstances and disposition of the irregularities.

Response

To the best of our knowledge, at the time of this submission, accounts maintained by CDW on behalf of others have not been subject to any irregularities of circumstance or disposition.

Requirement

4.2.2 Full disclosure of any potential conflict of interest, i.e. serving as a member, board member, officer, or having significant financial interest with any company, firm or joint venture with interests in the provision of software.

Response

To the best of our knowledge, at the time of this submission, CDW does not have any potential conflicts of interest that would prevent us from serving NASPO ValuePoint members via this contract.

Requirement

4.2.3 Whether or not, in the last ten (10) years, the Offeror has filed (or had filed against it) any bankruptcy or insolvency proceeding, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors, and if so, an explanation providing relevant details;

Response

To the best of our knowledge, at the time of this submission, CDW has not filed (nor had filed against it) any bankruptcy or insolvency proceeding. No receiver, trustee, or assignee for the benefit of creditors has been specifically appointed.

Requirement

4.2.4 Whether or not there are any pending Securities Exchange Commission investigations involving the Offeror, and if such are pending or in progress, an explanation providing relevant details and an attached opinion of counsel as to whether the pending investigation(s) may impair the Offeror's performance in a Contract under this RFP.

Response

On 29 October 2015, CDW (the Company) received a request for production of documents in connection with an investigation by the SEC of our vendor partner program incentives. We are cooperating with the SEC in this matter.

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 by various partners, group purchasing organizations, and customers (e.g., 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 US 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 30 September 2015, 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 of more of these proceedings or matters.

Requirement

4.2.5 Documenting all open or pending litigation initiated by the Offeror or where the Offeror is a dependent or party in litigation that may have a material impact on Offeror's ability to deliver the contracted services;

Response

To the best of our knowledge, at the time of this submission, CDW does not have any open or pending litigation that would present a material impact on our ability to deliver the contracted services.

Requirement

4.2.6 Full disclosure of any public sector contracts terminated for cause or convenience in the past five (5) years.

Response

To the best of our knowledge, at the time of this submission, CDW has not had any public sector contracts terminated for cause or convenience in the past five (5) years.

Jumana Dihu

Relevant Experience

CDW

Program Manager (2013–Present)

- Manages contract portfolio for healthcare, higher education, K–12, state & local sales segments within CDW Government LLC
- Responsible for full range of customer-facing contracts and partner contracts, including master purchase agreement, subcontractor agreements, teaming agreements, referral agreements
- Initiates and responds to requests for contract changes, product substitutions, technical refreshments
- Facilitates preliminary dispute resolution and coordinates with legal department as necessary to maintain customer satisfaction and bring prompt closure
- Ensures document compliance and analyzes success of program to make recommendations for improvement, including product add/drop, offer expansion
- Manages all reporting capabilities for high-visibility contracts

Sirva, Inc.

Program Manager (2002–2013)

Handled contract negotiation, cost/price analysis, compliance, market and channel analysis, development of strategic initiatives, and directed business goals and project management

Education

BS, International Economics, DePaul University

Gabriel Adler

Relevant Experience

CDW

Sales Manager, Software Solutions (2014—Present)

- Responsible for software sales in multiple public-sector segments with CDW Government LLC (e.g., federal, state & local, K–12, higher education)
- Manages team of six inside software solution and licensing sellers, five outside software solution and licensing sellers
- Manages continuous pipeline of software number, including cascade of forecast to upper management
- Goes in-market with field sellers and interfaces with clients
- Develops coworkers via education around products, services, solutions

Program Manager, Software Sales (2011–2014)

Responsible for multiple software programs, including Microsoft T36 Contract Management, Select Plus, NGVL (Next Generation Volume Licensing), OTRR (On Time Renewal Rate), Licensing Help Desk

Microsoft Inside Enterprise Licensing Specialist (2009–2011)

Microsoft Sales Executive (2006–2009)

AMSB Account Manager (2005–2006)

Dave Adler, Inc.

Controller & Lead Sales Person

Education

BA, Business, Northeastern Illinois University

Professional Memberships

International Association of Web Masters and Designers

Skills

- Microsoft Office Suite (Excel, Word, Access, Outlook)
- Microsoft FrontPage
- HTML Programmer
- Adobe Photoshop
- Cute FTP
- Adapta 2000
- Microsoft Certified Professional—SAM (Software Asset Management)
- Microsoft ESA/LAR FY09 Certified
- VMware VSP 5.5
- Citrix CSP
- AS/400

Gabe Arias

Relevant Experience

CDW

Licensing Account Executive (2011–Present)

- Supports state & local government customers manage software investments, including Microsoft volume licensing
- Builds trusted client relationships at CIO/Director level within state agencies, counties, cities
- Presents CDW Government LLC's software solution capabilities at client-facing meetings, hosted events, selected software partner events
- Acts as subject matter expert for all Microsoft licensing agreements, VMware, Adobe, Citrix, Red Hat, HP, IBM, and professional services offerings
- Manages multiple government contracts, answers complex licensing and product questions/scenarios, supports CDW account teams, proactively manages client software business (e.g., EA enrollment process, QBRs, trend analysis, technology briefings)

Dell, Inc.

Licensing Specialist, Global Accounts (2007–2011)

Focused on software and service solutions for large Enterprise and global segment

ASAP Software

Inside Account Manager (2006–2007)

Education

BS, Marketing, Illinois State University

Awards, Certifications & Trainings

- Certified Microsoft Licensing Expert
- CDW·G Most Valuable Player, Software Team (2013, 2015)
- CDW Presidents Achievement (2014)
- Classroom Training Program
- Sales Leadership Training
- Yellow Belt Certification Training
- Microsoft Solution Selling Training
- Cloud Computing & Virtualization Conference
- Microsoft Volume Licensing Certification
- VMware Licensing Certification
- Symantec Licensing Certification
- Citrix Licensing Certification
- Oracle Licensing Certification
- IBM Licensing Certification
- Effective Presentations Training

Jason Schwartz

Relevant Experience

CDW

Sales Manager, State & Local Sales (2015–Present)

- Manages 20 account managers supporting state & local government customers in California, Arizona, Alaska, and Hawaii
- Builds relationships with coworkers, customers, partners for both small and large enterprises in the public sector
- Leads team of sales professionals through motivational coaching, effective partner management, and customer engagement
- Consistently interacts with field personnel, customer base, and OEM partners
- Performs business pipeline review calls with sales teams to ensure financial objectives are achieved monthly, quarterly, and annually

Sales Manager, Sales Academy (2014–2015)

Responsible for onboarding account managers hired into Medium Large Central and South regions and Small Business teams; developed individual coaching plans for each account manager

Senior Account Manager (2010–2014)

Achieved strong sales results with higher education customers through consultative selling of hardware, software, and professional services solutions to assist in long-term strategic IT plan of each customer

Education

BA, Political Science & Business Administration, University of Iowa

Michael Truncone

Relevant Experience

CDW

Sales Manager, State & Local Sales (2015–Present)

- Travels to discover, develop, and increase relationships with key clients, manufacturers, and service business partners
- Performs business pipeline reviews with sales teams to ensure financial objectives are achieved monthly, quarterly, and annually
- Conducts services scope reviews on opportunities with integration services to ensure successful project execution

Executive Account Manager (2005–2015)

- Worked to develop partner relationships while holding weekly cadence with partners including Cisco, HP, and Lenovo
- Demonstrated consistent sales growth throughout career
- Pursued relevant certifications within IT field, including partners HP, NetApp, EMC, Cisco, and Microsoft
- Participated in Emerging Leaders Program
- Worked efficiently and effectively while coordinating and managing within large sales organization
- Coached and developed high-performing coworkers

Education

BA, Economics & Business Administration, University of Connecticut

Clayton Boras

Relevant Experience

CDW

Sales Manager, Higher Education (2011–Present)

- Supervises 20 inside sales and field sales personnel supporting higher education business in Northeast and Keystone geographies
- Develops team members with career opportunities in Emerging Leaders program and promotion to Sales Operations
- Consistently interacts with field personnel, customer base, and OEM partners
- Lead sales team ranked #1 in Higher Education (2012)
- Executes large higher education wins for hardware, software, licensing, and services solutions

Sales Manager, K–12 Sales (2007–2011)

- Oversaw 22 internal sales and two field sales personnel supporting K–12 education business for Keystone geography
- Created sales strategies to identify lucrative contract opportunities and leveraged vendor relationships to achieve significant sales and gain visibility
- Interfaced with vendors, executive management contracts for key accounts, and information technology, purchasing, and general services personnel at state level

Regional Sales Manager (2003–2007)

Territory Sales Manager (2001–2003)

Micro Warehouse Inc.

Group Business Unit Education Manager (1999–2003)

Strategic Business Unit Account Manager (1998–1999)

Education

- MBA, Marketing, Sacred Heart University
- BS, Finance, Sacred Heart University

Awards & Certifications

- CDW Presidents Club Achievement Award (2008, 2012)
- CDW #1 Ranked K–12 Sales Manager (2003, 2008)
- CDW #1 Ranked Higher Education Sales Manager (2012)
- Mitsubishi Sales Award (2006-2009)

Dave Stephens

Relevant Experience

CDW

Business Development Manager, Public Safety (2010–Present)

- Manages sales engineering process for large-scale integration projects involving public safety agencies
- Provides subject matter expertise to CDW Government LLC resources and offers resource training, as well as partner development and management
- Presents at state, regional, and national public safety conferences on topics such as mobility, digital evidence management, CJIS mandate compliance

Senior Field Account Executive (2002–2010)

Worked with account teams to grow state & local government marketplace; additionally developed high-visibility opportunities within specific sales geography

CATG Inc. dba MBS CONNECTING POINT

Operation Director (2000–2001)

President and General Manager (1999–2000)

National Sales Manager (1997–1999)

State Contract Sales Manager (1991–1997)

Account Manager (1988–1990)

VALCOM COMPUTER

Account/Assistant/Service Manager (1984–1988)

Education

BA, Data Processing & Business Administration, Weber State University

Russell Keene

Relevant Experience

CDW

Sales Manager, K–12 Sales (2006–Present)

- Trains and manages inside sales team of 27 account managers covering K–12 accounts in California, Arizona, Alaska, and Hawaii
- Manages a team of six field account executives in California and Arizona
- Travels to discover, develop, and increase relationships with key clients, manufacturers, and service business partners
- Performs business pipeline reviews with sales teams to ensure financial objectives are achieved monthly, quarterly, and annually
- Conducts services scope reviews on opportunities with integration services to ensure successful project execution
- Acts as Education liaison for CDW Emerging Leaders Program
- Analyzes contracts prior to RFP response submission to ensure positive outcome and acceptable company risk

District Manager, Northwest & Pacific Regions (2005–2006)

Created regional business plan leading to sales increase and trained/coached inside account teams covering customers in western US

Senior Account Manager (1997–2005)

Proactively targeted key contracts and successfully bid to further business opportunities while acting as team mentor for new sales coworkers

Education

BS, Marketing, North Central College

Alex Haycock

Relevant Experience

CDW

Sales Manager, K–12 Sales (2015–Present)

- Mentors account team with various lengths of tenure across multiple CDW segments
- Leads account team to exceed goals via one-on-one coaching and focused selling efforts
- Builds strong relationships with vendor partners, inside sales reps, and field resources to ensure customer satisfaction and support

Senior Account Manager (2014–2015)

Guided peers through daily and monthly sales activities while maintaining and expanding customer relationships in Aggregation Services team

Account Manager (2011–2014)

Developed strong and long-lasting relationships with back-end departments and vendors to become consistent and reliable resource to customers and colleagues

Education

BA, Business Administration, Columbia College

Awards & Certifications

- Cisco CCE
- EMC Sales Professional
- NetApp Sales Professional
- VMware Sales Professional
- Tripp Lite Sales Professional

Sean Galligan

Relevant Experience

CDW

Sales Manager, K–12 Sales (2014–Present)

- Manages recruitment, selection, training, and coaching of 18 direct reports handling millions in total business to ensure sales goals are met
- Drives business growth by capitalizing on new revenue potential in existing markets in New England geography
- Leverages strategic relationships with customers, peers, and vendor partners
- Provides customer service management and problem resolution training and mentorship
- Utilizes knowledge of partner sales programs and procedures to effectively steer sales growth projects with key partners such as Cisco, NetApp, VMware, and Aruba

Account Manager (2007–2014)

Managed, fostered, and maintained successful working relationship with multiple vendor partners in K–12 education IT sales

Nielsen Media Research

Sports Product Placement Auditor (2006–2007)

Edited and evaluated analysis of sports marketing initiatives of product vendors, athletic teams, sports venues to assist in formulation of appropriate business strategy

Sports Product Placement Analyst (2005–2006)

Education

BBA, Finance, University of Connecticut

Awards & Certifications

- Cisco Sales Expert
- NetApp Accredited Sales Professional
- Microsoft Sales Accreditation
- EMC Velocity Sales Accreditation

Major Projects

- Project Name 1 (Project Date), 5-7 word description
- Project Name 2 (Project Date), 5-7 word description

Mike Clinton

Relevant Experience

CDW

Sales Manager, Higher Education (2015–Present)

- Covers higher education sales in Northwest geography
- Leads experienced inside and outside sales team to sell best-in-class manufacturers and technology from Cisco, Lenovo, Microsoft, Adobe, VMware, etc.

Principal ISA, Unified Communications (2008–2015)

- Subject matter expert for CDW's unified communications portfolio to customers, colleagues, account managers
- Assessed customer business goals and technical requirements to develop UC strategies
- Leveraged extensive knowledge of CDW's Professional Services to provide customers with turnkey solutions
- Supported Med/Lar, nonprofit, and healthcare teams

Senior Account Manager, Med/Lar (2002–2008)

Provided IT solutions and services to mid-market and Enterprise clients

Education

BS, Telecommunications Management, DeVry University

Chris Webb

Relevant Experience

CDW

Business Development Manager, Higher Education (2015–Present)

- Owns higher-education strategy for contracts, eProcurement, and key OEM partnership in CDW Government LLC
- Directs team of five field-based business development resources focuses on higher education market
- Builds strategic partnerships with key OEM partners, providers, and third-party service organizations
- Drives customer relationships through C-level engagement, partnership reviews, mutually beneficial contracts
- Reports to VP, Higher Education Sales

Business Development, Higher Education (2008–2015)

- Positioned CDW and negotiated contracts for west coast higher education business
- Conducted business reviews with executive-level large clients to identify growth opportunities

Sales Manager, Higher Education (2007–2008)

Led team of 18 account mangers covering higher education in mid-Atlantic and Keystone geographies

Inside Account Manager, K–12 Education (2005–2007)

Proactively sought new customers and innovative ways to solve the technology needs of K–12 education

Education

BS, Information Systems, Wake Forest University

Awards & Certifications

- CDW Annual Sales Top Performers (2005, 2006, 2007)
- CDW #1 Higher Education/Sales Manager (2008)

Eric Goff

Relevant Experience

CDW

Sales Manager, Higher Education, Pacific Region (2009–Present)

- Manages day-to-day sales team activities to achieve financial plan, interacting with direct reports, coworkers, customers, and partners
- Responsible for two territories consisting of 15 states; develops, improves, and maintains customer and partner relationships
- Hosts meetings, delivers presentations, conducts onsite visits, develops plans and strategic planning sessions, handles contract negotiation
- Works effectively with internal and external stakeholders to achieve business objectives and exceed sales goals
- Motivates and coaches sales team, educates and teams with OEM partners, engages customers to provide consultation and value

Sales Manager, Corporate Academy (2007–2009)

Responsible for managing newest sales representatives, coaching effective career strategies, and providing selling assistance

Account Manager (2001–2007)

Responsible for corporate accounts across the country (focus on Northern California)

Education

BS, Marketing, Illinois State University

Awards & Certifications

- CDW Presidents Achievement Award of Excellence (2009, 2014)
- Public Sales Manager Advisory Council (PSMAC)
- Higher Education liaison, CDW Emerging Leaders Program

GAINED GOVERNMENT CONTRACTS

Issuing Agency	Contract Title	Start Date	Exp Date
Academy School District 20	Peripheral Purchase Agreement	07/10/2015	07/31/2016
Alabama Joint Purchasing Program	ALJP 2013 - HP Networking	03/08/2013	03/08/2016
Alabama Joint Purchasing Program	ALJP 2013 - NEC	03/08/2013	03/08/2016
Alabama Joint Purchasing Program	ALJP 2013 - Lenovo	03/08/2013	03/08/2016
Alabama Joint Purchasing Program	ALJP2015-0102 GoGuardian	07/06/2015	07/01/2017
Alabama Joint Purchasing Program	ALJP2015-0113: Microsoft Hardware	07/29/2015	06/30/2017
American Lebanese Syrian Associated Charities, Inc (ALSAC)	Master Services and Product Sales Agreement b	12/18/2013	12/18/2015
American Public University System	Master Product Sales Agreement	04/15/2013	04/14/2016
Arlington Independent School District	Computer, AV Equipment, Supplies and Services	07/01/2015	06/30/2016
Aruba Networks, Inc.	California Aruba WSCA Data Communications	02/17/2015	05/31/2019
Aruba Networks, Inc.	Aruba WSCA Data Communications	02/17/2015	05/31/2019
Aruba Networks, Inc.	Florida Aruba NASPO Data Communications	05/11/2015	05/31/2019
Aruba Networks, Inc.	Alaska Aruba NVP Data Communications	08/18/2015	05/31/2019
Aruba Networks, Inc.	Nevada Aruba NVP Data Communications	08/19/2015	05/31/2019
Aruba Networks, Inc.	Montana Aruba NVP Data Communications	08/24/2015	05/31/2019
Aruba Networks, Inc.	New Jersey Aruba NVP Data Communications	08/24/2015	05/31/2019
Aruba Networks, Inc.	South Carolina Aruba NVP Data Communication	08/24/2015	05/31/2019
Aruba Networks, Inc.	Washington Aruba NVP Data Communications	08/24/2015	05/31/2019
Aruba Wireless Networks, Inc.	Ohio STS Aruba	11/13/2014	06/30/2017
Associated Colleges of the Twin Cities	NJPA Stretch Agreement	12/01/2014	11/18/2018
Association of Computer Technology Educators of Maine	Master Product Sales Agreement	05/30/2014	05/30/2016
Baltimore City Public Schools	Symantec Software Maintenance	07/01/2014	06/30/2017
Beaufort County School District	APC Smart UPSs and Batteries	06/05/2015	06/04/2018
BJC Healthcare	Mutual Non-Disclosure Agreement	11/20/2013	11/20/2016
Board of Regents of the Nevada System of Higher Education on behalf of Bu	NJPA Stretch Agreement	12/01/2014	11/18/2018
Bossier Parish School Board	Technology Catalog Contract	11/01/2015	10/31/2020
Brocade Communications Systems, Inc.	State of Georgia Brocade	04/30/2013	06/30/2016
Brocade Communications Systems, Inc.	Brocade WSCA Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	Alaska Brocade NVP Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	Delaware Brocade NVP Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	Montana Brocade NVP Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	Nevada Brocade NVP Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	South Dakota Brocade NVP Data Communicatior	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	Washington Brocade NVP Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	Wyoming Brocade WSCA Data Communications	07/10/2014	05/31/2019
Brocade Communications Systems, Inc.	New Jersey Brocade NVP Data Communications	09/08/2014	05/31/2019
Brocade Communications Systems, Inc.	Wyoming Brocade NVP Data Communications	09/08/2014	05/31/2019
Brocade Communications Systems, Inc.	California Brocade NVP Data Communications	09/09/2014	05/31/2019
Brocade Communications Systems, Inc.	Oregon Brocade WSCA Data Communications	09/09/2014	05/31/2019
Brocade Communications Systems, Inc.	Oregon Brocade NVP Data Communications	09/09/2014	05/31/2019
Brocade Communications Systems, Inc.	Florida Brocade NVP Data Communications	10/06/2014	05/31/2019
Brocade Communications Systems, Inc.	Hawaii Brocade NVP Data Communications	10/06/2014	05/31/2019
Brocade Communications Systems, Inc.	South Carolina Brocade NVP Data Communicatic	07/14/2015	05/31/2019
Brocade Communications Systems, Inc.	TX DIR Brocade	09/24/2014	08/13/2016
Brother International Corp.	TX DIR Brother	06/05/2015	06/05/2016
Brother International Corporation	NC Brother Printer	04/10/2013	03/31/2016
Brother International Corporation	NY OGS Brother Printing and Imaging	11/06/2014	09/01/2017
Capistrano Unified School District	Audio Visual Equipment	08/01/2015	07/31/2016
Carahsoft Technology Corp	TX DIR Carahsoft/Adobe	08/29/2013	08/29/2016
Carahsoft Technology Corp	Texas DIR Carahsoft/VMWare	03/13/2014	05/03/2016
Carahsoft Technology Corp	Oklahoma OneNet Carahsoft/VMWare	04/15/2014	06/30/2016
Carahsoft Technology Corp	OH STS Carahsoft/Nutanix	06/01/2015	12/19/2016
CESA Purchasing	Technology Catalog	03/01/2014	02/29/2016
Chicago Public Schools	Audio Visual Equipment	08/01/2013	06/30/2016
Cisco Systems, Inc.	TX DIR Cisco	05/05/2014	05/05/2016
Cisco Systems, Inc.	Cisco WSCA	08/07/2014	05/31/2019
Cisco Systems, Inc.	Nevada Cisco WSCA	08/07/2014	06/01/2019
Cisco Systems, Inc.	Oregon Cisco WSCA	08/15/2014	05/31/2019
Cisco Systems, Inc.	Michigan Cisco WSCA	08/29/2014	05/31/2019
Cisco Systems, Inc.	Washington Ciso WSCA	08/29/2014	05/31/2019
Cisco Systems, Inc.	Hawaii Cisco WSCA	09/08/2014	05/31/2019
Cisco Systems, Inc.	Wyoming Ciso WSCA	09/08/2014	05/31/2019
Cisco Systems, Inc.	New Jersey Cisco WSCA	09/24/2014	05/31/2019
Cisco Systems, Inc.	Louisiana Cisco WSCA	10/08/2014	06/01/2019
Cisco Systems, Inc.	Flordia Cisco WSCA	10/09/2014	05/31/2019
Cisco Systems, Inc.	Iowa Cisco WSCA	10/29/2014	05/31/2019
Cisco Systems, Inc.	Utah Cisco WSCA	04/02/2015	05/31/2019
Cisco Systems, Inc.	Montana Cisco NASPO ValuePoint Data Commu	07/24/2015	05/31/2019

Cisco Systems, Inc. 7-14-07-04	California Cisco WSCA	10/10/2014	05/31/2019
Citrus County School Board - Otterbox Cases	Citrus County School Board	04/14/2015	04/14/2016
City of Atlanta	City of Atlanta Hardware and Software	10/01/2013	10/01/2016
City of Austin	Electronic Visual Display Systems	05/12/2015	05/11/2018
City of Austin	Cisco Hardware and Support	08/05/2015	08/04/2018
City of Cambridge	Misc Computer Hardware & Software for the Po	12/10/2014	12/09/2015
City of Chattanooga	City of Chattanooga Brocade	10/01/2013	09/30/2016
City of Chesapeake	Technology Solutions and Related Services	12/01/2014	11/18/2018
City of Denver	City of Denver Ipads	06/20/2013	06/20/2016
City of Richmond Department of Procurement Services	Richmond IT Products	05/14/2014	05/13/2016
City of Spokane	City of Spokane Product Sales and Service Projec	09/23/2015	09/22/2017
City of Tucson, Arizona	National IPA Technology Solutions	08/18/2013	08/16/2016
Clarkstown Central School District	Samsung Chromebooks	09/08/2015	09/07/2016
Cobb County School District	iPad Cases	05/01/2013	04/30/2016
Cobb County School District	Audiovisual Equipment	06/01/2015	05/31/2016
Commonwealth of Massachusetts Operational Services Division	Massachusetts Converged Voice & Data Commu	09/18/2013	08/31/2018
Commonwealth of Pennsylvania	PA Commonwealth- Enterprise IT Peripherals	10/01/2013	09/30/2016
Commonwealth of Pennsylvania	PA Commonwealth- PC and Monitors	02/15/2014	02/14/2016
Community Unified School District 300	Master Services Agreement	10/13/2014	10/12/2016
Community Unified School District 300	Computer & Tablets Purchase	04/13/2015	04/12/2016
Concorde Colleges	Concorde Colleges Master Product Sales Agreem	03/22/2013	03/22/2016
Conejo Valley Unified School District	Technology Solutions	08/06/2015	06/30/2016
Connecticut General Assembly, Joint Committe on Legislative Management	IBM Express x3650 M4 Servers	04/24/2014	04/23/2019
Cook County Government	Cook County Hardware Software Contract	05/15/2013	05/14/2016
County of Los Angeles Internal Services Department	County of Los Angeles Wireless Accessories	11/01/2013	10/31/2016
County of Los Angeles Internal Services Department	County of Los Angeles Media	04/01/2014	03/31/2017
County of Los Angeles Internal Services Department	County of Los Angeles Orchid Peripherals	06/06/2014	06/05/2016
County of Los Angeles Internal Services Department	County of Los Angeles Orchid Ergotron Peripher	09/10/2014	09/09/2016
Department of Information Technology and Telecommunications (DoITT)	NYC DOITT Panasonic	04/10/2013	12/29/2015
Desert Sands Unified School District	Chromebook Carts	11/06/2013	11/05/2016
Desert Sands Unified School District	Chromebooks	09/02/2014	09/02/2016
Desert Sands Unified School District	Tablets	03/18/2015	03/12/2016
Desert Sands USD Display Solutions	Desert Sands USD Display Solutions	05/21/2015	05/16/2016
DeVry, Inc.	Master Product Purchase Agreement	04/01/2013	04/01/2016
Digital Edge	Digital Edge Wireless Mobile Devices	05/28/2014	12/31/2015
Digital Edge	DigitalEdge Wireless Mobile Devices - Spectrum,	05/28/2014	01/01/2016
D-Link Systems, Inc.	TX DIR D-Link Networking	06/01/2015	09/25/2016
Dutchess County BOCES	Dutchess County BOCES Cooperative Lock and C	09/10/2015	09/10/2016
Eastern Suffolk BOCES	Microcomputers, Perioherals & Software	01/15/2015	02/29/2016
EC America Ohio STS	EC America Ohio State Term Schedule	08/31/2015	06/26/2017
EC America, Inc.	PA Cisco immixGroup	11/27/2013	08/17/2018
Ector County Independent School District	Electronic Surveillance System Upgrade	12/23/2014	12/22/2016
Education Service Center Region VII	Computer Hardware & Supplies	08/20/2015	08/20/2016
El Paso Independent School District	District Printers	07/01/2014	06/30/2016
Elk Area Schools ISD 78	Projector Bulb Contract	03/01/2014	06/30/2016
EMC Corporation	EMC NVP Computer Equipment	08/24/2015	04/01/2017
EMC Corporation	Alaska EMC NVP Computer Equipment	08/25/2015	03/31/2017
EMC Corporation	Arizona EMC NVP Computer Equipment	08/26/2015	03/31/2017
EMC Corporation	South Dakota EMC NVP Computer Equipment	08/26/2015	03/31/2017
EMC Corporation	Alaska EMC NVP Data Communications	10/23/2015	05/31/2019
EMC Corporation	California EMC NVP Data Communications	10/27/2015	05/31/2019
EMC Corporation	Florida EMC NVP Data Communications	10/27/2015	05/31/2019
EMC Corporation	Hawaii EMC NVP Data Communications	10/27/2015	03/31/2019
EMC Corporation	Missouri EMC NVP Data Communications	10/27/2015	05/31/2019
EMC Corporation	Montana EMC NVP Data Communications	10/27/2015	05/31/2019
EMC Corporation	Utah EMC NVP Data Communications	10/27/2015	05/31/2019
EMC Corporation	Kansas EMC NVP Computer Equipment	12/01/2015	03/31/2017
EMC Corporation	New Jersey EMC NVP Computer Equipment	12/03/2015	03/31/2017
Epson America, Inc.	TX DIR Epson Projectors	03/29/2013	12/07/2015
Extreme Networks, Inc.	Extreme WSCA	06/17/2014	05/31/2019
Extreme Networks, Inc.	Nevada Extreme WSCA	06/17/2014	05/31/2019
Extreme Networks, Inc.	New Jersey Extreme WSCA	09/09/2014	05/31/2019
Extreme Networks, Inc.	Florida Extreme NASPO Data Communications	05/11/2015	05/31/2019
Florida Department of Management Services	Commercial Off-The-Shelf (COTS) Software	09/30/2014	09/09/2018
Florida Keys Community College	NJPA Stretch Agreement	08/05/2015	11/18/2018
Florida State University	NJPA Stretch Agreement	05/11/2015	11/18/2018
Florida Virtual Schools	Computer Peripherals, Supplies and Accessories	06/18/2013	06/25/2016
Furman University	Furman Univeristy	11/23/2015	08/16/2016
Garden Grove Unified School District	Audio Visual / Technology Bid	11/05/2014	11/17/2016
Georgia State University	National IPA Piggyback	11/16/2015	08/15/2016

Grand Prairie Independent School District	Technology Equipment, Supplies, Services, Etc.	09/06/2014	08/31/2016
Grantham University	Grantham University Master Product Sales Agre	05/22/2014	05/21/2017
Harris County Department of Education	Harris County Department of Education	04/01/2014	01/22/2016
HealthEast Care System	Business Associate Agreement	05/01/2013	08/18/2018
HealthEast Care System	Master Services Agreement	09/25/2013	05/10/2016
Hewlett Packard Company	HP Los Angeles Community College Data Storage	11/10/2014	02/08/2017
Hewlett Packard Company	Los Angeles Community College District Server M	11/10/2014	02/08/2017
Hewlett Packard Company	Alaska HP NVP Computer Equipment	08/12/2015	03/31/2017
Hewlett Packard Company	HP NVP Computer Equipment	08/12/2015	03/31/2017
Hewlett Packard Company	Arizona HP NVP Computer Equipment	08/13/2015	03/31/2017
Hewlett Packard Company	Delaware HP NVP Computer Equipment	08/14/2015	03/31/2017
Hewlett Packard Company	Kansas HP NVP Computer Equipment	08/14/2015	03/31/2017
Hewlett Packard Company	Nevada HP NVP Computer Equipment	09/03/2015	03/31/2017
Hewlett Packard Company	Florida HP NVP Computer Equipment	09/04/2015	03/31/2017
Hewlett Packard Company	North Dakota HP NVP Computer Equipment	09/09/2015	03/31/2017
Hewlett Packard Company	Utah HP NVP Computer Equipment	09/09/2015	03/31/2017
Hewlett Packard Company	Wyoming HP NVP Computer Equipment	09/09/2015	03/31/2017
Hewlett Packard Company	Arkansas HP NVP Computer Equipment	10/01/2015	03/31/2017
Hewlett Packard Company	Washington HP NVP Computer Equipment	10/01/2015	03/31/2017
Hewlett Packard Company	Wisconsin HP NVP Computer Equipment	10/01/2015	03/31/2017
Hewlett Packard Company	California HP NVP Computer Equipment	10/08/2015	03/31/2017
Hewlett Packard Company	Colorado HP NVP Computer Equipment	10/08/2015	03/31/2017
Hewlett Packard Company	South Carolina HP NVP Computer Equipment	10/08/2015	03/31/2017
Hewlett Packard Company	Oregon State University	11/25/2015	09/30/2016
Hewlett Packard Company	Louisiana HP Inc NVP Computer Equipment	12/11/2015	03/31/2017
Hewlett-Packard Company	Ohio STS HP2	03/11/2013	07/02/2018
Hewlett-Packard Company	State of Georgia HP Server and Storage	06/12/2014	08/31/2016
Hewlett-Packard Company	North Carolina HP Microcomputers	06/18/2014	01/31/2016
Hewlett-Packard Company	TX DIR HP	07/03/2014	07/03/2016
Hewlett-Packard Company	State of Georgia HP PC Hardware	08/04/2014	08/31/2016
Hewlett-Packard Company	HP WSCA Data Communications	09/16/2014	05/31/2019
Hewlett-Packard Company	California HP WSCA Data Communications	09/16/2014	05/31/2019
Hewlett-Packard Company	Alaska HP WSCA Data Communications	09/18/2014	05/31/2019
Hewlett-Packard Company	Hawaii HP WSCA Data Communications	09/18/2014	05/31/2019
Hewlett-Packard Company	Nevada HP WSCA Data Communications	09/19/2014	05/31/2019
Hewlett-Packard Company	Utah HP WSCA Data Communications	09/19/2014	05/31/2019
Hewlett-Packard Company	Washington HP WSCA Data Communications	09/19/2014	05/31/2019
Hewlett-Packard Company	NY OGS HP Printing and Imaging	10/03/2014	08/31/2017
Hewlett-Packard Company	Kentucky HP WSCA Data Communications	10/13/2014	05/31/2019
Hewlett-Packard Company	Ohio STS HP	10/15/2014	07/02/2018
Hewlett-Packard Company	Louisiana HP WSCA Data Communications	10/17/2014	05/31/2019
Hewlett-Packard Company	Wyoming HP NASPO Data Communications	05/07/2015	05/31/2019
Howard County Public Schools	Career and Technology Education Supplies and E	01/15/2015	01/14/2016
Howard University-MedAssets Stretch Agreement	MedAssets Stretch Agreement between CDW Gc	07/01/2013	07/22/2016
Humanscale Corporation	Humanscale IT Support Equipment	02/23/2015	09/15/2016
Illinois Department of Central Mangement Services	Illinois Sniffer	07/11/2013	07/12/2017
Illinois Learning Technology Purchasing Program	Illinois Learning Technology Purchasing Program	10/20/2015	10/21/2018
Illinois Public Higher Education Cooperative	IPHEC Networking and Equipment Services	12/06/2013	06/30/2017
Irvine Unified School District	Master Services And Product Sales Agreement	07/22/2013	07/21/2016
Jefferson County Public School District	Mobile Device Management System	05/12/2014	05/31/2016
Juniper Networks (US), Inc.	Louisiana Juniper NASPO Data Communications	04/30/2015	05/31/2019
Juniper Networks (US), Inc.	Juniper VALP Data Communications	04/30/2015	05/31/2019
Juniper Networks, Inc.	TX DIR Juniper	08/22/2014	08/21/2016
Kansas Department of Administration	Kansas Sophos Contract	07/01/2013	06/30/2016
Kentucky Department of Education	Instructional Devices	07/01/2015	06/30/2016
Kodak Alaris Inc.	NY OGS Kodak PT66606	01/23/2015	08/31/2017
Kodak Alaris Inc.	NY OGS Kodak Printers PT66606	01/23/2015	08/31/2017
Laramie County School District No. 1	Windows Mobile 8 Devices Tablets	07/01/2013	06/30/2016
Laredo Independent School District	Computer Supplies & Peripherals	04/17/2014	04/16/2016
Laureate Education, Inc.	Confidentiality and Non-Disclosure Agreement	04/15/2014	04/15/2018
Laureate Education, Inc.	Laureate Education Master Services Sales Agree	11/11/2014	11/10/2016
Legacy Health	Master Service Agreement	01/18/2013	01/23/2016
Lenovo (United States) Inc.	Arizona Lenovo NVP Computer Equipment	08/25/2015	03/31/2017
Lenovo (United States) Inc.	Lenovo NVP Computer Equipment	08/25/2015	03/31/2017
Lenovo (United States) Inc.	Alaska Lenovo NVP Computer Equipment	09/16/2015	03/31/2017
Lenovo (United States) Inc.	Arkansas Lenovo NVP Computer Equipment	10/07/2015	03/31/2017
Lenovo (United States) Inc.	Florida Lenovo NVP Computer Equipment	10/07/2015	03/31/2017
Lenovo (United States) Inc.	Nevada Lenovo NVP Computer Equipment	10/07/2015	03/31/2017
Lenovo (United States) Inc.	Kansas Lenovo NVP Computer Equipment	10/16/2015	03/31/2017
Lenovo (United States) Inc.	Washington Lenovo NVP Computer Equipment	10/21/2015	03/31/2017

Lenovo (United States) Inc.	Louisiana Lenovo NVP Computer Equipment	11/17/2015	03/31/2017
Lenovo (United States) Inc.	Hawaii Lenovo NVP Computer Equipment	11/19/2015	03/31/2017
Lenovo (United States) Inc.	Maine Lenovo NVP Computer Equipment	11/19/2015	03/31/2017
Lenovo (United States) Inc.	New Jersey Lenovo NVP Computer Equipment	11/19/2015	03/31/2017
Lexmark International, Inc.	Lexmark Printers	02/27/2013	02/26/2016
Lexmark International, Inc.	NY OGS Lexmark	04/01/2013	02/26/2016
Lexmark International, Inc.	NY OGS Lexmark Printing and Imaging	11/20/2014	08/31/2017
Lifespan Corporation	Business Associate Agreement	09/23/2013	08/18/2018
Lincoln Public Schools	Vendor Discount Request	01/01/2015	12/31/2015
Los Angeles Unified School District	Keyboards for Tablet Devices	12/23/2014	12/22/2017
Lubbuck Independent School District	Catalog Bid	11/25/2014	12/31/2016
Magnolia Independent School District	Technology Equipment & Peripherals	02/19/2015	02/19/2016
Massachusetts Higher Education Consortium	MHEC Consortium Contract- Multi-media equpn	12/01/2014	09/30/2017
McKinney Independent School District	Technology Products & Services	03/26/2014	03/25/2016
Meridian Health System, Inc.	Business Associate Agreement	08/23/2013	08/18/2018
Mesa Unified School District No. 4	Computer Parts & Peripherals	03/24/2015	02/24/2016
Metropolitan Transportation Authority	MTA Peripherals	03/14/2014	08/01/2016
Middlesex Regional Educational Services Commission	Technology Supplies & Services	07/01/2015	06/30/2016
Milwaukee Public Schools	Various Electronic Supplies, Blanket Contract	02/01/2013	01/31/2016
Milwaukee Public Schools	Chromebook Agreement	05/30/2014	05/29/2016
Milwaukee Public Schools	Charging Carts for Chromebooks	08/22/2014	08/21/2016
Minnesota Department of Administration	Minnesota Professional and Technical Services S	07/03/2014	04/15/2019
Mississippi Department of Information Technology Services	Mississippi IT Hardware EPL 3760	03/11/2015	06/30/2017
Momentum Ventures, LLC	Group Purchasing Agreement	05/15/2013	05/14/2016
Montgomery County Department of Technology Services	Montgomery County MD IT Commodities	09/16/2014	02/02/2016
National Cooperative Purchasing Alliance	Red Hat Software	09/02/2015	12/31/2015
National Joint Powers Alliance	Technology Solutions with Related Equipment a	12/01/2014	11/30/2018
NetApp, Inc.	Oklahoma State Regents NetApp	03/01/2014	02/28/2016
NetApp, Inc.	TX DIR NetApp	08/19/2014	08/19/2016
NetApp, Inc.	Alaska NetApp NVP Computer Equipment	10/13/2015	03/31/2017
NetApp, Inc.	Arkansas NetApp NVP Computer Equipment	10/15/2015	03/31/2017
New Mexico Cooperative Educational Services	Windows Desktop, Accessories and Software for	05/19/2014	05/18/2016
New York City Department of Education	AV and Interactive Whiteboard Agreement	01/31/2014	01/31/2019
Noble County Clerk	Noble County Office Supplies	07/01/2015	12/31/2015
Northwestern University	Northwestern University Lenovo Desktop Compu	09/01/2014	08/31/2019
Northwestern University	Northwestern Computer Peripherals and Supplie	10/31/2014	10/31/2019
Ohio Council of Educational Purchasing Consortia	Technology Catalog	03/01/2014	02/28/2016
Ohio Inter University Council Purchasing Group	Ohio Inter University Purchasing Group Price Ag	10/01/2014	09/30/2017
Ohio State University Medical Center	Ohio State Unvi Med Ctr Material Systems and P	10/18/2013	08/31/2018
Oki Data America's Inc.	TX DIR Okidata	06/05/2015	06/05/2016
Oki Data Americas, Inc.	NY OGS Oki Data	02/27/2013	02/26/2016
Oki Data Americas, Inc.	NY OGS Oki Data Printers and Imaging Equipmer	09/01/2014	08/31/2017
Onondaga-Cortland-Madison Board of Cooperative Educational Services	COMPUTER PERIPHERALS	01/01/2014	12/31/2015
Orange County Public Schools	Computer Peripheral Equipment	01/17/2013	12/31/2015
Orange County Public Schools	Single Sign On Software	06/25/2014	06/24/2017
Oregon Department of Administrative Services-Enterprise Technolog Service	Enterprise Technology Hardware, Software, and	05/14/2015	05/13/2017
Oregon State University	Contract for the Purchase of Computer Hardwar	11/12/2013	11/11/2017
Palo Alto Networks, Inc	California Palo Alto NVP Data Communications	04/16/2015	05/31/2019
Palo Alto Networks, Inc	Palo Alto NVP Data Communications	04/16/2015	05/31/2019
Palo Alto Networks, Inc	Nevada Palo Alto NVP Data Communications	06/08/2015	05/31/2019
Palo Alto Networks, Inc	Washington Palo Alto NVP Data Communication	08/19/2015	05/31/2019
Palo Alto Networks, Inc	Alaska Palo Alto NVP Data Communications	08/27/2015	05/31/2019
Palo Alto Networks, Inc	Colorado Palo Alto NVP Data Communications	08/27/2015	05/31/2019
Palo Alto Networks, Inc	Louisiana Palo Alto NVP Data Communications	08/27/2015	05/31/2019
Palo Alto Networks, Inc	Utah Palo Alto VALP Data Communications	08/27/2015	05/31/2019
Palo Alto Networks, Inc	Florida Palo Alto NVP Data Communications	12/08/2015	05/31/2019
Panasonic Computer Solutions Company	TX DIR Panasonic	12/20/2013	12/20/2015
Pemayetv Emahakv Charter School	Printer Supplies Management Program	04/16/2015	04/15/2018
Pennsylvania Department of General Services	PA Commonwealth- Server Equipment	06/01/2014	05/31/2016
PEPPM	General Hardware and Software	01/01/2014	12/31/2016
PEPPM	PEPPM 2014 Steelcase Product Line BId	05/28/2014	12/31/2017
PEPPM	PEPPM 2015 Ruckus Product Line Bid	01/01/2015	12/31/2017
PEPPM	PEPPM Panasonic Product Line Bid 2015	03/09/2015	12/31/2017
PEPPM	PEPPM Product Line Bid	03/26/2015	01/01/2018
PEPPM	PEPPM 2015 Synnex Product Line Bid	10/12/2015	12/31/2017
Pharr-San Juan-Alamo Independent School District	Audio Visual Aids, Videos, Equipment, Services a	09/01/2015	08/31/2016
Pharr-San Juan-Alamo Independent School District	Toner & Ink Cartridges for Printers, Equipment, S	09/01/2015	08/31/2016
Pharr-San Juan-Alamo Independent School District	Computer and Printer, Equipment, Services and	09/01/2015	08/31/2016
Pima County Community College District	National IPA Piggyback Agreement	09/25/2015	08/14/2016
Polycom, Inc.	State of Georgia Polycom	07/25/2013	06/30/2016

Prince George County Public Schools	MDM Licenses	10/01/2014	09/30/2017
Promark Technology	Ohio STS Promark	07/16/2014	09/04/2016
Promethean, Inc.	NY OGS Promethean Materials and Equipment	02/13/2013	08/02/2017
Rasmussen, Inc.	Rasmussen, Inc. Master Services and Product Sa	08/26/2014	08/25/2016
Region 18 Education Service Center	Catalog Bid	06/23/2015	06/22/2016
Region 8 Education Service Center	Printer Supplies Management Agreement	04/16/2015	04/15/2018
Regional Educational Media Center Association of Michigan	Computer & Networking 2014	07/01/2014	06/30/2019
Regional Educational Media Center Association of Michigan	Computer & Networking	07/01/2014	06/30/2019
Regional Educational Media Center Association of Michigan	Supplies & Equipment 2015	01/01/2015	12/31/2015
Regional Educational Media Center Association of Michigan	Software, Digital Content & Automated Notificat	07/01/2015	06/30/2018
Regional Educational Media Center Association of Michigan	Computer Equipment	08/11/2015	03/31/2017
Ricoh U.S.A. Inc.	NY OGS Ricoh Printing and Imaging	11/06/2014	09/01/2017
Rocky Point Union Free School District	Lexmark OEM Toner Catridges & Supplies Bid	07/01/2013	06/30/2016
Samsung Electronics America, Inc.	North Carolina 204D Samsung	04/01/2013	03/31/2016
Samsung Electronics America, Inc.	NY OGS Samsung Printing	01/12/2015	08/31/2017
School Board of Hernando County	Interactive Solutions	05/07/2014	05/06/2016
School Board of Sarasota County	Audio Visual and Video Equipment	01/20/2015	01/19/2017
ShoreTel Inc.	Hawaii ShoreTel NVP Data Communications	02/17/2015	05/31/2019
ShoreTel Inc.	Nevada ShoreTel NVP Data Communications	02/17/2015	05/31/2019
ShoreTel Inc.	ShoreTel WSCA	02/17/2015	05/31/2019
ShoreTel Inc.	Utah ShoreTel NVP Data Communications	02/17/2015	05/31/2019
ShoreTel Inc.	ShoreTel NVP Data Communications	02/17/2015	05/31/2019
ShoreTel Inc.	California ShoreTel NVP Data Communications	08/19/2015	05/31/2019
ShoreTel Inc.	Arkansas ShoreTel NVP Data Communications	08/28/2015	06/01/2019
ShoreTel Inc.	Florida ShoreTel NVP Data Communications	08/28/2015	05/31/2019
ShoreTel Inc.	Missouri ShoreTel NVP Data Communications	08/28/2015	05/31/2019
ShoreTel Inc.	Washington ShoreTel NVP Data Communication	09/18/2015	05/31/2019
Snohomish County Public Utility District	Snohomish County PUD Fireye	10/21/2014	10/21/2019
Socorro Independent School District	District Interactive Projectors	11/20/2014	11/19/2016
South Carolina Information Technology Management Office	South Carolina Symantec	02/20/2013	02/19/2018
South Carolina Information Technology Management Office	South Carolina Aerohive	05/29/2015	05/28/2018
Southeast Kansas Educational Services Cooperative	Southeast Kansas Educational Services Cooperat	03/01/2014	02/29/2016
Spectrum Industries, Inc.	State of Connecticut Classroom Furniture	07/23/2014	03/31/2017
St. Mary's County Public Schools	Promethean Interactive Whiteboards & Related	04/01/2013	03/31/2016
Stanford University	Stanford University MPSA	10/27/2015	10/27/2018
State of California, Department of General Services	SLP Academic Microsoft	06/27/2013	06/30/2016
State of California, Department of General Services	CMAS Cisco	08/07/2013	09/30/2017
State of California, Department of General Services	SLP Microsoft	11/15/2013	02/01/2017
State of California, Department of General Services	SLP Adobe	01/24/2014	12/31/2015
State of California, Department of General Services	SLP Novell	06/09/2014	06/30/2016
State of California, Department of General Services	SLP VMware	07/21/2014	07/31/2017
State of California, Department of General Services	Cisco PC Servers	06/30/2015	06/29/2017
State of California, Department of General Services	SLP Commvault	08/03/2015	07/31/2017
State of California, Department of General Services	SLP Symantec	09/19/2014	08/31/2016
State of Connecticut, Dept of Administrative Services	Information Processing Systems Agreement	01/17/2014	01/17/2018
State of Connecticut, Dept of Information Technology	Audio Visual	05/01/2014	03/31/2019
State of Oregon	IT Hardware Value Added Reseller	09/25/2015	09/30/2017
State of Tennessee, Department of General Services	Tennessee Cisco Hardware, Software, and Servic	01/01/2013	12/31/2015
State of Tennessee, Department of General Services	Tennessee Ultrabooks and Related Peripherals	07/11/2014	07/10/2016
State of Tennessee, Department of General Services	Tennessee Multi Manufacturer Software	04/01/2015	03/31/2016
State of Texas, Department of Information Resources	TX DIR Networking	09/20/2014	09/19/2016
State of Texas, Department of Information Resources	TX DIR Education IT Products	06/18/2015	06/18/2016
Tegile Systems, Inc.	Florida Tegile NASPO ValuePoint Computer Equi	07/22/2015	03/31/2017
Tegile Systems, Inc.	Tegile NASPO ValuePoint Computer Equipment	07/22/2015	03/31/2017
Texas A&M University	TCPN Stretch Agreement	07/01/2013	10/31/2016
Texas Christian University	Texas Christian Managed Print Services Contract	08/19/2013	08/19/2016
The Catholic University of America	The Catholic University of America-MPA	10/26/2015	05/31/2017
The Interlocal Purchasing System	TIPS/TAPS Computers, Equipment, Components	06/26/2015	06/29/2018
The Interlocal Purchasing System	TIPS-TAPS Software	07/16/2015	07/27/2018
Tri-Consortia Technology Committee	Category 2-Products and Services	02/13/2015	06/30/2018
Tuskegee University	Tuskegee University	05/14/2013	05/14/2016
University Hospitals Health System, Inc	Letter of Understanding for VDI project	12/02/2013	12/01/2016
University of Alabama	University of Alabama Computer Peripherals	03/01/2014	12/31/2015
University of Alabama at Birmingham	Business Associates Agreement	08/13/2013	08/12/2018
University of Florida	NJPA Stretch Agreement	02/26/2015	11/18/2018
University of Idaho	NJPA Stretch Agreement	07/31/2015	11/18/2018
University of Iowa	University of Iowa Border Routers	08/29/2014	08/28/2016
University of Kentucky	University of Kentucky Software, Peripherals & A	01/07/2013	01/06/2016
University of Massachusetts	NJPA Stretch Agreement	05/01/2015	11/18/2018
University of Minnesota	University of Minnesota Juniper and Powerdsine	07/01/2013	06/30/2016

University of Montana	NJPA Stretch Agreement	12/01/2014	11/18/2018
University of Virginia	NJPA Stretch Agreement	12/01/2014	11/18/2018
University of Wisconsin Foundation	Master Services Sales Agreement	09/11/2015	09/10/2017
US Educational Technology Purchasing Alliance	End User Devices	01/01/2015	12/31/2019
US Educational Technology Purchasing Alliance	LAN/WAN Security (E-Rate)	01/01/2015	12/31/2019
Vanguard University	Vanguard University MPSA	12/12/2013	12/13/2015
Victoria Independent School District	Audio Visual Equipment & Supplies	01/01/2014	12/31/2015
Victoria Independent School District	Technology RFP	03/01/2014	02/28/2016
Village of Lombard	MPS-Village of Lombard	10/30/2013	10/30/2016
Village of Lombard	Village of Lombard PSMP	10/30/2013	10/29/2016
Virginia Information Technologies Agency	VITA Governance, Risk and Compliance Software	02/04/2013	02/04/2017
Virginia Information Technologies Agency	VITA Hardware and Maintenance	03/31/2014	03/31/2016
Virginia Information Technologies Agency	VITS Software License Contract	04/01/2014	03/31/2016
Wayne-Finger Lakes BOCES	Chrome Books & Accessories	06/01/2013	01/31/2016
Western Suffolk BOCES	Western Suffolk BOCES Smartboard & Audio Vis	02/24/2015	12/31/2015

LOST OR RESIGNED GOVERNMENT CONTRACTS

Issuing Agency	Contract Title	Start Date	Exp Date	Reason
Montgomery County Public Schools	Computer Supplies	01/13/2010	01/12/2013	Unknown reason
Arlington Independent School District	Computer, AV Equipment, Supplies and Services	11/01/2012	01/15/2013	Agreement rebid and awarded to CDW•G
Milwaukee Public Schools	Tech Catalog Contract	11/20/2009	01/31/2013	Agreement rebid and awarded to CDW•G
Albuquerque Public Schools	Audio Visual	03/02/2009	02/28/2013	Moved purchasing to local cooperative agreements
New Mexico Cooperative Educational Services	Technology Contract	03/01/2010	02/28/2013	Agreement rebid and awarded to CDW•G
King County Director's Association	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Clark County School District	Classroom Visual Presentation Equipment and Accessories	03/23/2011	03/22/2013	Unknown reason
Irvine Unified School District	Irvine Unified School District Product Purchase Agreement 56943	04/15/2008	04/16/2013	Signed a new agreement
New Caney Independent School District	Special Education Supplies	05/17/2011	05/16/2013	Unknown reason
San Francisco Unified School District	Interactive Whiteboard Classroom Solution	06/09/2010	06/07/2013	Unknown reason
Region 18 Education Service Center	Computer Hardware, Software, Supplies and Accessories	06/23/2012	06/22/2013	Unknown reason
Socorro Independent School District	District Software	06/24/2011	06/25/2013	Agreement rebid and awarded to CDW•G
Tuscon Unified School District	Computer, Technology, Electrical Parts and Supplies	09/18/2008	06/30/2013	Unknown reason
Corona-Norco Unified School District	Audio Visual Equipment	07/01/2011	06/30/2013	Unknown reason
Garden Grove Unified School District	Audio Visual Equipment	09/19/2012	06/30/2013	Unknown reason
Orange County Public Schools	Projectors	07/01/2011	06/30/2013	Unknown reason
Jackson-Madison County School System	Slate-Tablet Computers	03/15/2013	06/30/2013	Agreement rebid and awarded to CDW•G
Copper Country Intermediate School District	22i SPOT Device	05/23/2013	08/30/2013	Agreement rebid and awarded to CDW•G
NORTH ALABAMA COOPERATIVE PURCHASING ASSOCIATION	MANUFACTURER SUPPLIED TECHNOLOGY EQUIPMENT WITH PERIPH	09/01/2010	08/31/2013	Agreement rebid and awarded to CDW•G
Academy School District 20	Peripherals	09/01/2012	08/31/2013	Agreement rebid and awarded to CDW•G
Eagle Pass Independent School District	Computer Hardware & Equipment	10/01/2011	08/31/2013	Unknown reason
Harlingen Consolidated Independent School District	Audio Visual	09/11/2012	08/31/2013	Unknown reason
Lone Star College System	Technology Solutions	11/20/2012	10/13/2013	Agreement not renewed due to lack of sales
School District of Palm Beach County	Computer Software, Peripherals, Accessories & Repair Parts	11/20/2009	11/19/2013	Unknown reason
Smoky Hill Education Service Center	NJPA Stretch Agreement	12/17/2012	11/22/2013	Signed new NJPA Stretch Agreement
Associated Colleges of the Twin Cities	Technology Catalog	08/08/2012	11/22/2013	Signed new Stretch Agreement under new NJPA Agreement
City of Chesapeake	Technology Solutions and Related Services	10/11/2012	11/23/2013	Signed new Stretch Agreement under new NJPA Agreement
Socorro Independent School District	Audio Visual Equipment	12/18/2011	12/17/2013	Agreement rebid and awarded to CDW•G
Lake County School Board	Catalog Bid for Incidental Supplies	09/25/2006	12/31/2013	Unknown reason
Regional Educational Media Center Association of Michigan	uipment & Supplies 2013	01/01/2013	12/31/2013	Agreement rebid and awarded to CDW•G
School District of Kansas City Missouri	Computer Technology and Peripherals	01/01/2013	12/31/2013	Unknown reason
Cypress-Fairbanks Independent School District	Repair Parts for AV, Computer, Printer & Miscellaneous Office Equip	01/01/2012	12/31/2013	Unknown reason
Northside Independent School District	Audio, Visual & DVD Software	02/01/2012	01/31/2014	Unknown reason
University of Alabama	Lenovo Product	03/01/2013	02/28/2014	Agreement rebid and awarded to CDW•G
Colorado BOCES Association	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Panhandle Area Education Consortium	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Iowa Educators Consortium	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Indiana Association Educational Service Centers	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Indiana Association Educational Service Centers - GovPro	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Oakland Schools	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Minnesota Service Cooperatives	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Cooperating School Districts of Greater St Louis	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Montana Cooperative Services, LLC	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
North Dakota Educators Service Cooperative	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
InterMountain ESD	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Portland Public Schools	Technology Catalog	01/03/2006	02/28/2014	Agreement rebid and awarded to CDW•G
Keystone Purchasing Network	Technology Catalog	07/01/2013	02/28/2014	Agreement rebid and awarded to CDW•G
TexBuy (Region 16 Education Service Center)	Technology Catalog	09/27/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Fairfax County Public Schools	Technology Catalog	03/01/2010	02/28/2014	Agreement rebid and awarded to CDW•G
Richmond Public Schools	Audio Visual Equipment & Misc Items	03/01/2011	02/28/2014	Unknown reason
Regional Education Service Agencies 5	Technology Catalog	05/09/2012	02/28/2014	Agreement rebid and awarded to CDW•G
Atlanta Independent School System	Instructional Interactive Devices Accessories for Promethean	04/08/2013	03/27/2014	Agreement rebid and awarded to CDW•G
Socorro Independent School District	District Technology	03/27/2013	03/27/2014	Agreement rebid and awarded to CDW•G
City of Mesquite	Annual Supply of Miscellaneous PC Components	04/05/2012	04/04/2014	Unknown reason
North County Educational Purchasing Corsoritum	Audio Visual	04/15/2011	04/15/2014	Agreement rebid and not awarded to CDW•G

National Joint Powers Alliance	Emergency Response Agreement	04/15/2009	04/15/2014	Agreement rebid and awarded to CDW•G
San Bernardino City Unified School District	Audio Visual Equipment & Supplies	05/06/2013	05/05/2014	Unknown reason
Community Unified School District 300	Replacement Computers	05/13/2013	05/13/2014	Agreement rebid and awarded to CDW•G
Douglas County Schools (Omaha Public Schools)	Promethean Interactive Whiteboards	05/21/2013	05/20/2014	Unknown reason
San Diego County Office of Education	Chromebook	08/27/2013	06/30/2014	Unknown reason
Hillsborough County Public Schools	Audio Visual Equipment, Related Parts and Periodic Services	01/25/2012	06/30/2014	Unknown reason
Lenovo (United States) Inc.	KETS Instructional Devices Workstations	12/04/2012	06/30/2014	Agreement rebid and awarded to CDW•G
Montgomery County Public Schools	Chrome-Android-Windows Mobile Devices	07/15/2014	06/30/2014	Unknown reason
Jackson-Madison County School System	Computer Requirements	08/20/2013	06/30/2014	Agreement rebid and not awarded to CDW•G
Arlington Independent School District	Computer / Audio Visual Equipment, Supplies and/or Services	08/16/2013	06/30/2014	Agreement rebid and awarded to CDW•G
Jefferson County School District No. R-1	AV Equipment & Supplies	08/01/2013	07/31/2014	Agreement rebid and awarded to CDW•G
School District of Desoto County	Catalog Discount Term Contract	11/13/2012	07/31/2014	Unknown reason
Copper Country Intermediate School District	22i SPOT Device	04/23/2014	07/31/2014	Agreement rebid and awarded to CDW•G
Desert Sands Unified School District	Chromebooks	08/21/2013	08/20/2014	Agreement rebid and awarded to CDW•G
Education Service Center Region VII	Computer Hardware & Supplies Bid Award	08/22/2013	08/22/2014	Agreement rebid and awarded to CDW•G
Amarillo Independent School District	Audio Visual	09/01/2013	08/31/2014	Moved purchasing to local cooperative agreements
Socorro Independent School District	District Interactive Projectors	09/20/2013	09/19/2014	Agreement rebid and awarded to CDW•G
Aldine Independent School District	Instructional Supplies & Equipment	09/21/2011	09/20/2014	Signed VPA Agreement with CDW•G
Mesa Unified School District No. 4	Student Devices	09/24/3013	09/23/2014	Agreement rebid and awarded to CDW•G
School Board of Polk County	Kindle Fire	04/25/2012	11/27/2014	Unknown reason
Hillsborough County Public Schools	Classroom Supplies & Equipment Catalog	12/09/2009	12/08/2014	Unknown reason
National Joint Powers Alliance	Technology Catalog	12/09/2009	12/15/2014	Agreement rebid and awarded to CDW•G
Montana State University	NJPAStretch Agreement	11/06/2013	12/15/2014	Signed a new NJPA Stretch Agreement
Board of Regents of the Nevada System of Higher Education on beh	NJPA Stretch Agreement	05/01/2014	12/15/2014	Signed new Stretch Agreement under new NJPA Agreement
College of Southern Nevada	NJPA Stretch Agreement	06/05/2014	12/15/2014	Signed new Stretch Agreement under new NJPA Agreement
Massapequa Union Free School District	NJPA Stretch Agreement	09/01/2013	12/15/2014	Signed new Stretch Agreement under new NJPA Agreement
West Hempsted Unified Free School District	NJPA Stretch Agreement	09/16/2014	12/15/2014	Agreement not renewed
Ohio Inter-University Council Purchasing Group	Technology Solutions with Related Equipment and Accesories	03/14/2011	12/15/2014	Signed new NJPA Stretch Agreement
Fayette County Board of Education	LocknCharge Carrier Charging Carts	10/01/2014	12/31/2014	Unknown reason
The School Board of Sarasota County	Audio Visual & Video Equipment	01/22/2013	01/21/2015	Unknown reason
Unified School District 229	Master Services Sales Agreement	01/27/2014	01/26/2015	Unknown reason
Adams County School District 14	Microsoft Office 365	08/18/2014	01/30/2015	Unknown reason
Fountain Fort Carson School District 8	Laptop & Ultrabook Contract	03/03/2014	03/02/2015	Unknown reason
Victoria Independent School District	Educational Computer Software	06/01/2013	05/31/2015	Unknown reason
Montgomery County Public Schools	Televisions for Schools and Offices	06/15/2013	06/14/2015	Unknown reason
Region 18 Education Service Center	Catalog Bid	06/23/2014	06/22/2015	Agreement rebid and awarded to CDW•G
Alum Rock Union Elementary School District	Visual and Audio Installation	04/25/2013	06/30/2015	Agreement not rebid
Alum Rock Union Elementary School District	Installation of Interactive Classroom Promethean Boards	05/07/2013	06/30/2015	Agreement not rebid
Pinellas County School Board	Audio Visual & Video Equipment/Materials	01/26/2014	06/30/2015	Unknown reason
Des Moines Independent Community School District	Technology - Electronic Products	07/01/2012	06/30/2015	Unknown reason
Rockford Public Schools	Lenovo ThinkPads	07/01/2012	06/30/2015	Unknown reason
Regional Educational Media Center Association of Michigan	Software 2012	07/01/2012	06/30/2015	Agreement rebid and awarded to CDW•G
Middlesex Regional Educational Services Commission	Technology Catalog	07/01/2013	06/30/2015	Agreement rebid and awarded to CDW•G
Metropolitan Nashville Public Schools	Nutrition Services Computers/Supplies	06/01/2014	06/30/2015	Unknown reason
Birdville Independent School District	Birdville ISD	07/01/2014	06/30/2015	Moved purchasing to local cooperative agreements
Pearland Independent School District	Careet and Technical Education Catalog	07/01/2014	06/30/2015	Unknown reason
Arlington Independent School District	Computer, AV Equipment, Supplies and Services	07/01/2014	06/30/2015	Agreement rebid and awarded to CDW•G
Donna Independent School District	Computer Peripherals & IPads 2014-2015	11/19/2014	06/30/2015	Unknown reason
Jefferson County Public Schools R-1	Projection, A/V and Charging Carts	09/30/2015	07/31/2015	Unknown reason
Pharr-San Juan-Alamo Independent School District	Computer Equipment, Servers, Microsoft Licensing, Services and Fin	08/23/2013	08/22/2015	Unknown reason
Education Service Center Region VII	Computer Hardware & Supplies	08/21/2014	08/22/2015	Agreement rebid and awarded to CDW•G
Academy School District 20	District-wide Peripheral Purchase	08/19/2014	08/31/2015	Agreement rebid and awarded to CDW•G
Edinburg Consolidated Independent School District	Audio Visual Supplies & Equipment	09/01/2013	08/31/2015	Moved purchasing to local cooperative agreements
Pharr-San Juan-Alamo Independent School District	Toner and Ink Cartridges for Printers, Equipment, Services and Suppl	09/01/2014	08/31/2015	Unknown reason
Pharr-San Juan-Alamo Independent School District	Computer and Printer Equipment, Services and Supplies Catalog	09/01/2014	08/31/2015	Unknown reason
Portland Water District	Information Technology Supplies	09/12/2014	09/11/2015	Unknown reason
Aldine Independent School District	VPA for Technology Devices	09/17/2014	09/16/2015	Moved purchasing to local cooperative agreements

School Board of Volusia County	IT Hardware and Software - Percent Discount	10/28/2013	09/30/2015	Using other school agreement in Florida
El Paso Independent School District	iPads, Computer, Telephone & AV Repairs	10/11/2012	10/10/2015	Unknown reason
Judson Independent School District	Computer and Networking Equipment	10/23/2014	10/22/2015	Unknown reason
Clear Creek Independent School District	Audio Visual Equipment, Supplies & Discounts	12/01/2011	11/30/2015	Unknown reason
Henrico County Public Schools	Promethean Interactive White Boards	12/01/2010	11/30/2015	Unknown reason
CalSAVE	Technology Catalog	04/01/2011	12/31/2015	Agreement out to RFP
Education Service Center Region 19	Special Education & Assistive Technology Equipment, Supplies, and C	12/09/2012	12/31/2015	Not renewed for lack of sales
Victoria Independent School District	Audio Visual Equipment & Supplies	01/01/2014	12/31/2015	Unknown reason
National Cooperative Purchasing Alliance	Red Hat Software	09/02/2015	12/31/2015	Agreement not renewed
Epson America, Inc.	Epson Brighter Futures Printers	03/20/2005	03/31/2013	Unknown reason
Catholic Purchasing Services	Master Service and Product Sales Agreement	06/23/2009	06/22/2013	Not renewed for lack of sales
California Charter Schools Association	Product Purchase Agreement	06/25/2009	06/25/2013	Moved purchasing to local cooperative agreements
Long Beach Unified School District	Audio Visual Equipment	09/30/2010	06/30/2013	Unknown reason
Education Service Center Region VI	Technology Supplies	07/01/2012	06/30/2013	Unknown reason
South County Support Service Agency	MSPSA	07/07/2009	07/06/2013	Not renewed for lack of sales
Chicago Public Schools	Software Resale and Support Services	08/01/2010	07/31/2013	Signed new agreement with CDW•G using City of Chicago contract
Alabama Joint Purchasing Program	ALJP 2012 - Amazon Kindle & ServiceNet Warranty	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Asus	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Brocade	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - McAfee	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Ruckus	08/15/2012	08/14/2013	Line item rebid and not awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Spectrum	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Trend Micro	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Xerox	08/15/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Belkin	09/10/2012	08/14/2013	Line item rebid and awarded to CDW•G
Alabama Joint Purchasing Program	ALJP 2012 - Tripp Lite	11/02/2012	08/14/2013	Line item rebid and awarded to CDW•G
Education Service Center Region VII	Computer Hardware & Supplies	08/16/2012	08/18/2013	Agreement rebid and awarded to CDW•G
Rockwood School District	Rockwood School District Product Purchase Agreement 92547	10/01/2008	10/01/2013	Unknown reason
Harris County Department of Education	Technology Catalog	12/14/2004	12/14/2013	Agreement rebid and awarded to CDW•G
Victoria Independent School District	Technology RFP	03/01/2011	03/01/2014	Unknown reason
McKinney Independent School District	Technology & Technical Products & Services	03/25/2009	03/24/2014	Unknown reason
Alabama Joint Purchasing Program	ALJP 2011 - Planar	05/16/2011	05/15/2014	Line item rebid and not awarded to CDW•G
Alabama Joint Purchasing Program	ALJP2011-037: AVerMedia	09/25/2012	05/15/2014	Line item rebid and not awarded to CDW•G
Washington Learning Source	Adobe CLP Software	07/13/2007	07/31/2014	Agreement not rebid
Washington Learning Source	Aruba Networking Equipment	05/22/2009	07/31/2014	Agreement not rebid
Management Council Ohio Education Computer Network	MSPSA 41025	02/01/2013	01/31/2015	Unknown reason
The Interlocal Purchasing System	Computer Equipment, Components and Peripherals	06/28/2012	06/29/2015	Agreement rebid and awarded to CDW•G
The Interlocal Purchasing System	TIPS-TAPS Software	08/09/2010	07/23/2015	Agreement rebid and awarded to CDW•G
Digital Edge	Digital Edge Wireless Mobile Devices	05/28/2014	12/31/2015	Agreement rebid and not awarded to CDW•G
State of Alabama Department of Finance	Blackberry Support	04/22/2010	04/21/2015	Contract expired. No reason on file for why this was not renewed.
State of Alabama Department of Finance	Alabama Apple PC and Servers	11/01/2013	10/31/2015	CDW•G was named to a new Contract.
State of Alabama Department of Finance	Alabama Printers and Scanners	12/17/2012	12/16/2015	CDW•G was named to a new Contract.
County of Albany Department of General Services	Albany County Printers, Accessories and Supplies	08/22/2013	08/21/2015	Contract expired and was not renewed. There was no replacement RFP.
Xerox Corporation	State of Arkansas Xerox	04/06/2012	04/30/2015	CDW•G was named to a new Contract.
Baldwin County	Baldwin County Commission Microcomputer	10/21/2014	10/21/2015	CDW•G was named to a new Contract.
State of California, Department of General Services	SLP Adobe	01/24/2014	12/31/2015	CDW•G was named to a new Contract.
City of St. Petersburg	City of St. Petersburg Computers, Ruggedized Laptop	03/07/2011	02/28/2014	Contract expired and was not renewed. There was no replacement RFP.
Commonwealth of Pennsylvania	PA Commonwealth- Networking Equipment	10/01/2013	09/30/2016	Contract was extended until 2016.
County of Ventura	County of Ventura Cisco	12/12/2013	06/30/2015	Contract expired. No reason on file for why this was not renewed.
State of Connecticut, Dept of Information Technology	Audio Visual	08/01/2010	05/30/2014	CDW•G was named to a new Contract.
American Power Conversion	FL APC IT Hardware	09/08/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Cisco Systems, Inc.	Florida Cisco IT Hardware	09/12/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
EMC Corporation	State of Florida EMC	09/13/2005	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Enterasys Networks, Inc.	Florida Enterasys	09/08/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Brocade Communications Systems, Inc.	Florida Brocade IT Hardware	09/08/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Hewlett- Packard Company	Florida HP IT Storage, Network	09/12/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Promark Technology, Inc.	FL Promark IT Hardware	12/18/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.

Aruba Networks, Inc.	Florida Aruba	10/14/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Trippe Manufacturing Co.	Florida Tripp Lite	03/23/2011	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
NetApp	Florida NetApp	09/12/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
IBM Corporation	Florida IBM	09/08/2008	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
immixGroup, Inc.	Florida Immix Riverbed	02/14/2013	09/07/2014	Contract expired and was not renewed. FL wanted to move to WSCA.
Cisco Systems, Inc.	Florida Cisco Audio and Visual Equipment and Accessories	08/19/2011	02/18/2015	Contract expired and was not renewed. FL wanted to move to WSCA.
Cisco Systems, Inc.	Florida Cisco Telephony	12/09/2008	09/02/2015	Contract expired and was not renewed. FL wanted to move to WSCA.
Carahsoft Technology Corp	State of Georgia F5/Carahsoft	12/31/2014	06/30/2015	CDW•G was named to a new Contract.
Extreme Networks, Inc.	State of Georgia Extreme Networks	07/01/2012	06/30/2015	CDW•G was named to a new Contract.
Extreme Networks, Inc.	State of Georgia Enterasys	07/01/2012	06/30/2015	CDW•G was named to a new Contract.
Pace	Microsoft Licenses, Terminal Services CAL and Core CAL Step-up	06/19/2012	12/31/2013	Contract expired and was not renewed. There was no replacement RFP.
Illinois Department of Central Management Services	IL EMC Capacity Expansion/Maint. Contract	06/27/2013	07/01/2015	Contract expired and was not renewed. There was no replacement RFP.
Illinois Department of Central Management Services	Illinois Adobe Master Contract	07/14/2008	06/30/2013	Contract expired and was not renewed. There was no replacement RFP.
Illinois Department of Central Management Services	IL Microsoft EA Agreement	10/01/2011	09/30/2015	CDW•G was named to a new Contract.
Illinois Department of Central Management Services	Illinois Microsoft LAR Agreement	10/01/2011	09/30/2015	CDW•G was named to a new Contract.
Illinois DOT	Illinois DOT Microsoft Premier Support Service	11/24/2013	11/23/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	Indiana HP QPA	03/05/2014	10/31/2015	Contract expired. No reason on file for why this was not renewed.
Kansas Department of Administration	Kansas Cisco Contract	07/23/2007	12/31/2015	CDW•G was named to a new Contract.
Aruba Wireless Networks, Inc.	Louisiana Aruba	08/26/2013	08/25/2015	Contract expired. No reason on file for why this was not renewed.
County of Los Angeles Internal Services Department	County of Los Angeles Cisco Hardware	07/21/2010	10/20/2015	CDW•G was named to a new Contract.
Promethean, Inc.	State of Louisiana Promethean	04/05/2012	10/04/2015	Contract expired. No reason on file for why this was not renewed.
Trippe Manufacturing Company	State of Louisiana Tripp Lite	05/15/2012	11/14/2015	We are still awaiting renewal
Epson America, Inc.	State of Louisiana Epson	10/01/2014	06/10/2015	CDW•G was named to a new Contract.
Lake County	Computer Workstation Hardware	12/01/2011	11/30/2015	Contract expired. No reason on file for why this was not renewed.
Louisville Jefferson County Metro Government	Louisville Jefferson County Metro Government Hardware, Software	05/18/2010	09/30/2015	CDW•G was named to a new Contract.
City of Cambridge	Misc Computer Hardware & Software for the Police Department	12/10/2014	12/09/2015	Contract expired. No reason on file for why this was not renewed.
Mississippi Department of Information Technology Services	Mississippi Microsoft EPL 3640	12/01/2010	06/01/2014	CDW•G was named to a new Contract.
Mississippi Department of Information Technology Services	Software Express Products List	06/23/2009	06/30/2014	CDW•G was named to a new Contract.
Mississippi Department of Information Technology Services	Mississippi IT Hardware EPL 3658	07/01/2011	02/13/2015	CDW•G was named to a new Contract.
Carahsoft Technology Corp	North Carolina Carahsoft VMware	11/20/2014	09/11/2015	Contract expired. No reason on file for why this was not renewed.
Ricoh Americas Corporation	NC Ricoh Printer 204D	08/01/2007	03/31/2013	Contract expired and was not renewed, but Ricoh is looking to award a new cont
Hewlett- Packard Company	North Carolina HP Thin Client	06/15/2012	06/14/2013	Contract expired. No reason on file for why this was not renewed.
North Carolina Department of Administration	North Carolina Citrix	08/01/2012	07/31/2013	CDW•G chose not to extend the contract for no sales.
North Carolina Department of Administration	NC Ruggedized Accessories 204B	06/01/2007	10/31/2013	CDW•G was named to a new Contract.
Panasonic Computer Solutions Company	NC Panasonic Rugged Computers	06/01/2007	10/31/2013	CDW•G was named to a new Contract.
Hewlett- Packard Company	North Carolina HP Printer	04/01/2013	03/31/2014	CDW•G was named to a new Contract.
Carahsoft Technology Corp.	Carahsoft VMWare Software	09/10/2014	09/09/2015	Contract expired. No reason on file for why this was not renewed.
North Carolina Department of Administration	NC Mass Storage ITS-006498	09/20/2012	03/31/2016	Contract was extended until 2016.
NetApp, Inc.	NC 204J NetApp Mass Storage	09/20/2012	09/20/2015	Contract expired. No reason on file for why this was not renewed.
North Carolina Department of Administration	NC Ruggedized Computers and Accessories	11/01/2013	10/31/2015	Contract expired. No reason on file for why this was not renewed.
Synnex Corporation	North Central EMS Cooperative	04/25/2011	02/09/2014	Contract expired. No reason on file for why this was not renewed.
Synnex Corporation	North Central EMS Cooperative	04/25/2011	02/09/2014	Contract expired. No reason on file for why this was not renewed.
Noble County Clerk	Noble County Office Supplies	07/01/2015	12/31/2015	Still awaiting
3M Projection Systems	NY OGS-3M Projection Systems Audio Visual	11/01/2008	10/31/2013	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Mitsubishi Digital Electronics	NY OGS-Mitsubishi Audio Visual	11/01/2008	10/31/2013	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Optoma Technology, Inc.	NY OGS-Optoma Technology Audio Visual	10/01/2008	10/31/2013	Contract expired and was not renewed. NY OGS did not open up for RFP again.
PolyVision Corporation	NY OGS-Polyvision Audio Visual	05/06/2010	10/31/2013	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Hitachi Data Systems	NY OGS-Hitachi Systems & Peripherals Storage	11/25/2009	02/10/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
ExaGrid Systems, Inc.	NY OGS-ExaGrid Systems Inc Storage Systems and Peripherals	08/17/2011	02/10/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Quantum Corporation	NY OGS-Quantum Corporation Systems and Peripheral (Storage)	02/11/2004	02/11/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Trend Micro, Inc.	NY OGS-Trend Micro Microcomputer Software	03/03/2009	03/02/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
International Business Machines Corporation (IBM)	NY OGS-IBM Enterprise Systems Xseries	07/02/2008	07/01/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Citrix Systems, Inc.	NY OGS-Citrix Microcomputer Software	08/09/2004	08/08/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Epson America, Inc.	NY OGS-Epson Audio Visual	11/01/2008	10/31/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Infocus Corporation	NY OGS-Infocus Audio Visual	11/01/2008	10/31/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
NEC Display Solutions of America	NY OGS-NEC Audio Visual	11/01/2008	10/31/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
AverMedia Technologies, Inc.	NY OGS-AverMedia Technologies Audio Visual	11/01/2008	10/31/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.

Elmo USA Corp.	NY OGS-Elmo Corp Audio Visual	11/01/2008	10/31/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Steelcase, Inc.	NY OGS-NY OGS Steelcase VID#1000009217	08/29/2005	10/31/2014	Contract expired and was not renewed. NY OGS did not open up for RFP again.
EMC Corporation	NY OGS-EMC Storage Systems and Peripherals	03/05/2004	08/31/2015	Contract expired and was not renewed. NY OGS did not open up for RFP again.
NetApp, Inc.	NY OGS-NetApp Inc Systems and Peripheral (Storage)	02/11/2004	08/31/2015	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Hewlett- Packard Company	NY OGS-HP Enterprise Systems	06/17/2011	10/22/2015	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Hewlett- Packard Company	NY OGS-HP Storage Systems and Peripherals	07/19/2007	12/10/2015	Contract expired and was not renewed. NY OGS did not open up for RFP again.
Acer America Corp.	NY OGS-Acer Computer Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Fujitsu Computer Systems, Corporation	NY OGS-Fujitsu Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Hewlett- Packard Company	NY OGS-HP Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Lenovo (United States) Inc.	NY OGS-Lenovo Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Panasonic Computer Solutions Company	NY OGS-Panasonic Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Seneca Data Distributors, Inc.	NY OGS-SenecaData Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Sony Electronics, Inc.	NY OGS-Sony Microcomputer Systems	12/29/2010	12/28/2015	Contract may be renewed, pending NY OGS.
Toshiba America Information Systems, Inc.	NY OGS-Toshiba Microcomputer Systems	02/24/2011	12/28/2015	Contract may be renewed, pending NY OGS.
Asus Computer International	NY OGS-Asus Microcomputer System	04/21/2011	12/28/2015	Contract may be renewed, pending NY OGS.
Department of Information Technology and Telecommunications (D	NYC DOITT Panasonic	04/10/2013	12/29/2015	Contract will expire and not being renewed.
Oakland County, Michigan	Oakland County Microsoft Enterprise	09/01/2010	08/31/2013	Contract expired and was not renewed. There was no replacement RFP.
Oakland County, Michigan	Oakland County Michigan Fujitsu Tablets	10/01/2010	09/30/2013	Contract expired and was not renewed. There was no replacement RFP.
Aruba Wireless Networks, Inc.	State of Oklahoma Aruba Networking	02/20/2014	02/19/2015	CDW•G was named to a new Contract.
State of Pennsylvania, Department of General Services	Costars-3 IT Hardware	09/23/2005	09/08/2015	CDW•G was named to a new Contract.
State of Pennsylvania, Department of General Services	Costars Software	08/01/2008	11/30/2015	CDW•G was named to a new Contract.
Philadelphia Housing Authority	Philadelphia Housing Authority Hardware	04/01/2014	03/31/2015	Contract expired and was not renewed. There was no replacement RFP.
Philadelphia Housing Authority	Philadelphia Housing Authority Software	04/01/2014	03/31/2015	Contract expired and was not renewed. There was no replacement RFP.
Pennsylvania Department of General Services	PA IT Hardware Rugged Toughbooks	01/15/2009	09/30/2013	CDW•G was named to a new Contract.
Pennsylvania Department of General Services	PA IT Networking Contract	08/12/2008	09/30/2013	CDW•G was named to a new Contract.
South Carolina Information Technology Management Office	South Carolina AverMedia	08/03/2011	08/02/2015	CDW•G was named to a new Contract.
Mitsubishi Digital Electronics	South Carolina Mitsubishi AV	08/11/2006	08/05/2015	CDW•G was named to a new Contract.
South Carolina Information Technology Management Office	South Carolina Polyvision	08/03/2011	08/05/2015	CDW•G was named to a new Contract.
South Carolina Information Technology Management Office	South Carolina Enterasys	09/08/2010	09/07/2015	CDW•G was named to a new Contract.
Bretford Manufacturing	South Carolina Bretford	09/03/2009	12/31/2015	Still awaiting
Epson America, Inc.	South Carolina Epson AV	07/10/2006	12/31/2015	Still awaiting
NEC Display Solutions of America	South Carolina NEC Audio Visual	08/02/2006	12/31/2015	Still awaiting
State of Tennessee, Department of General Services	Tennessee Cisco Hardware, Software, and Services	01/01/2013	12/31/2015	CDW•G was named to a new Contract.
EMC Corporation	TX DIR EMC Software	05/04/2011	05/04/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	TX DIR Lexmark	09/27/2012	05/18/2015	CDW•G was named to a new Contract.
Oki Data Americas, Inc.	TX DIR Okidata	05/30/2007	06/07/2015	CDW•G was named to a new Contract.
Xerox Corporation	TX DIR Xerox	03/26/2007	06/07/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	TX DIR Ricoh	08/09/2012	06/10/2015	We are still awaiting renewal
Samsung Electronics America, Inc.	Texas DIR Samsung	03/17/2014	08/07/2015	CDW•G was named to a new Contract.
EMC Corporation	TX DIR EMC	09/10/2014	09/10/2015	CDW•G was named to a new Contract.
Epson America, Inc.	TX DIR Epson Projectors	03/29/2013	12/07/2015	Epson has renewed and is working with DIR to update site soon
Panasonic Computer Solutions Company	TX DIR Panasonic	12/20/2013	12/20/2015	Not technically expired but we are still awaiting renewal
Lenovo (United States) Inc.	TX DIR Lenovo	12/28/2012	12/28/2015	CDW•G was named to a new Contract.
City of Richmond Department of Procurement Services	Richmond Information Technology Supply Schedule	04/16/2008	04/30/2014	CDW•G was named to a new Contract.
Virginia Information Technologies Agency	VITA Statewide Printer Wide Format Device	10/29/2010	04/30/2013	Contract expired and was not renewed. There was no replacement RFP.
Virginia Information Technologies Agency	VITA Hardware and Maintenance Contract	02/06/2009	03/31/2014	CDW•G was named to a new Contract.
Virginia Information Technologies Agency	VITA Software License Contract	02/06/2009	03/31/2014	CDW•G was named to a new Contract.
Virginia Information Technologies Agency	VITA Server and Maintenance Contract	01/11/2010	03/31/2014	Contract expired and was not renewed. There was no replacement RFP.
Virginia Information Technologies Agency	VITA Storage	01/13/2011	11/29/2016	Contract was extended until 2016.
State of Vermont	VT Computer Peripherals	10/12/2011	09/30/2015	Contract expired. No reason on file for why this was not renewed.
Wisconsin Department of Administration, Bureau of Procurement	Wisconsin Microcomputer Software Contact	09/01/2005	02/28/2013	CDW•G was named to a new Contract.
Wisconsin Department of Administration, Bureau of Procurement	Wisconsin Microcomputer Software Contact	09/01/2010	08/31/2015	CDW•G was named to a new Contract.
Hewlett- Packard Company	HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Extreme WSCA	08/14/2009	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Alaska Extreme WSCA	03/15/2011	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	California WSCA Cisco	05/23/2008	05/31/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	California HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.

Hewlett- Packard Company	Colorado HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Colorado Extreme WSCA	03/15/2011	05/31/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	Hawaii HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Iowa WSCA Cisco	08/14/2009	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Iowa Extreme WSCA	10/24/2011	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Kansas Extreme WSCA	10/24/2011	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Kentucky Cisco WSCA	08/01/2011	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Louisiana Cisco WSCA	10/23/2012	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Michigan Cisco WSCA	05/02/2012	05/31/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	Minnesota HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	New Jersey Cisco WSCA	04/21/2009	05/31/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	New Jersey HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Nevada Extreme WSCA	08/14/2009	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Nevada Cisco WSCA	05/13/2013	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Oregon Cisco WSCA	09/01/2009	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	South Dakota Extreme WSCA	10/24/2011	05/31/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	Utah HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Washington Cisco WSCA NASPO	02/08/2010	05/31/2014	CDW•G was named to a new Contract.
Hewlett- Packard Company	Washington HP WSCA Data Communications	04/29/2010	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Washington Extreme WSCA	10/24/2011	05/31/2014	CDW•G was named to a new Contract.
Cisco Systems, Inc.	Wisconsin Cisco WSCA	09/22/2010	05/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	California Extreme WSCA	03/15/2011	08/31/2014	CDW•G was named to a new Contract.
EMC Corporation	Colorado EMC WSCA	10/09/2009	08/31/2014	CDW•G was named to a new Contract.
Extreme Networks, Inc.	Missouri Extreme WSCA	10/24/2011	08/31/2014	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	South Carolina Panasonic WSCA NASPO	12/28/2011	08/31/2014	CDW•G was named to a new Contract.
Lexmark International, Inc.	South Carolina Lexmark WSCA NASPO	09/01/2009	08/31/2014	Lexmark did not sign a new contract.
Lexmark International, Inc.	South Dakota Lexmark WSCA NASPO	09/01/2009	08/31/2014	Lexmark did not sign a new contract.
Lexmark International, Inc.	Utah Lexmark WSCA NASPO	09/01/2009	08/31/2014	Lexmark did not sign a new contract.
Extreme Networks, Inc.	Utah Extreme WSCA	10/24/2011	08/31/2014	CDW•G was named to a new Contract.
Lexmark International, Inc.	Washington Lexmark WSCA NASPO	09/01/2009	08/31/2014	Lexmark did not sign a new contract.
Lexmark International, Inc.	Wisconsin Lexmark WSCA NASPO	09/01/2009	08/31/2014	Lexmark did not sign a new contract.
EMC Corporation	Connecticut EMC WSCA	09/01/2009	12/31/2014	CDW•G was named to a new Contract.
NetApp, Inc.	Georgia NetApp WSCA	10/20/2010	12/31/2014	CDW•G was named to a new Contract.
NetApp, Inc.	Minnesota NetApp WSCA	03/29/2012	12/31/2014	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Ohio Lenovo WSCA NASPO	09/01/2009	12/31/2014	CDW•G was named to a new Contract.
EMC Corporation	Rhode Island EMC WSCA	09/01/2009	12/31/2014	CDW•G was named to a new Contract.
NetApp, Inc.	NetApp WSCA NASPO	09/01/2009	03/31/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Arizona NetApp WSCA	09/08/2010	03/31/2015	CDW•G was named to a new Contract.
EMC Corporation	Florida EMC NVP Computer Equipment	11/30/2015	03/31/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Idaho NetApp WSCA	01/13/2011	03/31/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Alaska HP WSCA NASPO	06/04/2013	06/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Delaware HP WSCA NASPO	06/13/2012	06/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Idaho Fujitsu WSCA NASPO	11/08/2010	06/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Lenovo WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Panasonic WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	EMC WSCA/NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Hewlett Packard Company	HP WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Xerox Corporation	Xerox WSCA NASPO	03/01/2011	09/30/2015	Xerox did not sign a new contract.
Lenovo (United States) Inc.	Alaska Lenovo WSCA NASPO	06/30/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Alaska Panasonic WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Alaska EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Alaska Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Alaska Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Panasonic Systems Communications Company	Arkansas Panasonic WSCA NASPO	11/23/2011	09/30/2015	CDW•G was named to a new Contract.

NetApp, Inc.	Arkansas NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Arkansas HP WSCA NASPO	11/11/2013	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Arizona Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	California Lenovo WSCA NASPO	08/22/2011	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	California EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	California NetApp WSCA	10/13/2010	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	California Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	California Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Fujitsu America, Inc.	California Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	California HP WSCA NASPO	05/09/2013	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Colorado Lenovo WSCA NASPO	07/17/2012	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Colorado Panasonic WSCA NASPO	08/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Colorado NetApp WSCA	09/08/2010	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Colorado Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Fujitsu America, Inc.	Colorado Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Colorado HP WSCA NASPO	06/04/2013	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Delaware Lenovo WSCA NASPO	11/22/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Delaware Panasonic WSCA NASPO	09/02/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Delaware EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Delaware NetApp WSCA	01/13/2011	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Delaware Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Delaware Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Florida Lenovo WSCA NASPO	06/01/2012	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Florida Panasonic WSCA NASPO	06/14/2012	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Florida HP WSCA NASPO	08/30/2013	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Florida Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Florida EMC WSCA	01/27/2015	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Florida NetApp WSCA	03/09/2015	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Georgia EMC WSCA	11/01/2010	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Georgia NetApp WSCA	02/28/2013	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Hawaii Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Iowa Lenovo WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Iowa Panasonic WSCA NASPO	05/04/2010	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Iowa EMC WSCA	11/03/2010	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Iowa NetApp WSCA	09/28/2010	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Iowa Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Fujitsu America, Inc.	Iowa Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Idaho Panasonic WSCA NASPO	08/31/2009	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Kansas Lenovo WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Kansas Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Fujitsu America, Inc.	Kansas Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Louisiana Lenovo WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Louisiana EMC WSCA	12/13/2010	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Louisiana NetApp WSCA	04/18/2011	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Louisiana Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Hewlett Packard Company	Louisiana HP WSCA NASPO	06/05/2013	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Missouri Lenovo WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Missouri Panasonic WSCA NASPO	08/28/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Missouri EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Missouri NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Missouri Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Fujitsu America, Inc.	Missouri Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Missouri Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	Montana Lenovo WSCA NASPO	09/01/2008	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Montana Panasonic WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Montana EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Montana NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.

Ricoh Americas Corporation	Montana Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Montana Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Hewlett Packard Company	Montana HP WSCA NASPO	06/04/2013	09/30/2015	CDW•G was named to a new Contract.
Lenovo (United States) Inc.	North Dakota Lenovo WSCA NASPO	12/09/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	North Dakota Panasonic WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	North Dakota Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
EMC Corporation	North Dakota EMC WSCA	05/10/2013	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Nebraska Panasonic WSCA NASPO	12/28/2011	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Nebraska NetApp WSCA	01/11/2012	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Nebraska EMC WSCA	10/01/2012	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	New Jersey Panasonic WSCA NASPO	02/10/2010	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	New Jersey EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	New Jersey NetApp WSCA	03/23/2011	09/30/2015	CDW•G was named to a new Contract.
Xerox Corporation	New Jersey Xerox WSCA	02/23/2011	09/30/2015	Xerox did not sign a new contract.
Hewlett Packard Company	New Jersey HP WSCA NASPO	11/16/2011	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	New Jersey Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Ricoh Americas Corporation	New Mexico Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Nevada Panasonic WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Nevada EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Nevada NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Nevada Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Nevada Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Fujitsu America, Inc.	Nevada Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Ohio HP WSCA NASPO	11/16/2011	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Oklahoma Panasonic WSCA NASPO	06/14/2012	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	OR PC Peripherals Agreement	07/01/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Oregon Panasonic WSCA NASPO	07/31/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Oregon EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Oregon NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
Xerox Corporation	Oregon Xerox WSCA	03/01/2011	09/30/2015	Xerox did not sign a new contract.
Hewlett Packard Company	Oregon HP WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Lexmark International, Inc.	Oregon Lexmark WSCA NASPO	09/01/2009	09/30/2015	Lexmark did not sign a new contract.
Panasonic Systems Communications Company	South Dakota Panasonic WSCA NASPO	11/23/2011	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	South Dakota EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	South Dakota Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	South Dakota NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Tennessee EMC WSCA	03/22/2013	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Utah Panasonic WSCA NASPO	06/14/2012	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Utah EMC WSCA	09/01/2010	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Utah NetApp WSCA	06/30/2010	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Utah HP WSCA NASPO	06/04/2013	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Vermont HP WSCA NASPO	06/13/2012	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Vermont Panasonic WSCA NASPO	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Vermont EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Vermont Ricoh WSCA NASPO	05/19/2010	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Vermont Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Washington Panasonic WSCA NASPO	08/10/2011	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Washington NetApp WSCA	09/28/2010	09/30/2015	CDW•G was named to a new Contract.
Xerox Corporation	Washington Xerox WSCA	04/25/2011	09/30/2015	Xerox did not sign a new contract.
EMC Corporation	Washington EMC WSCA	09/02/2009	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Washington Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.
Hewlett Packard Company	Washington HP WSCA NASPO	06/26/2013	09/30/2015	CDW•G was named to a new Contract.
Panasonic Systems Communications Company	Wisconsin Panasonic WSCA NASPO	12/28/2011	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Wisconsin EMC WSCA	09/02/2009	09/30/2015	CDW•G was named to a new Contract.
NetApp, Inc.	Wisconsin NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
Ricoh Americas Corporation	Wisconsin Ricoh WSCA NASPO	05/21/2010	09/30/2015	CDW•G was named to a new Contract.
Fujitsu America, Inc.	Wisconsin Fujitsu WSCA NASPO	11/08/2010	09/30/2015	CDW•G was named to a new Contract.

NetApp, Inc.	West Virginia NetApp WSCA	03/29/2012	09/30/2015	CDW•G was named to a new Contract.
EMC Corporation	Wyoming EMC WSCA	09/01/2009	09/30/2015	CDW•G was named to a new Contract.
West Virginia Department of Administration Purchasing Division	West Virgina Personal Computers and Peripherals Blanket Order	05/01/2008	06/30/2013	Contract expired and was not renewed. There was no replacement RFP.
Wyoming Game and Fish Dept	Wyoming Game and Fish Dept. GPS Units	09/02/2011	06/30/2014	Contract expired. No reason on file for why this was not renewed.
Samaritan Health Services	Master Service Sales Agreement	03/28/2012	03/27/2014	Contract expired. No reason on file for why this was not renewed.
Brocade Communications Systems, Inc.	Alaska Brocade WSCA Data Communications	11/01/2012	05/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	California Brocade WSCA Data Communications	11/02/2012	05/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Delaware Brocade WSCA Data Communications	11/01/2012	05/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Washington Brocade WSCA Data Communications	11/01/2012	05/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Brocade WSCA Data Communications	11/01/2012	08/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Colorado Brocade WSCA Data Communications	11/01/2012	08/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Hawaii Brocade WSCA Data Communications	03/21/2013	08/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Missouri Brocade WSCA Data Communications	11/01/2012	08/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	New Jersey Brocade WSCA Data Communications	11/01/2012	08/31/2014	CDW•G was named to a new Contract.
Brocade Communications Systems, Inc.	Utah Brocade WSCA Data Communications	11/01/2012	08/31/2014	CDW•G was named to a new Contract.
Onondaga- Cortland	DATA COMMUNICATIONS EQUIPMENT	11/01/2013	10/31/2014	Contract expired. No reason on file for why this was not renewed.
Harris County	Harris County Virtualization Software Upgrade	10/28/2014	10/27/2015	CDW•G was named to a new Contract.
Technical College System of Georgia	CISCO Unified Communications Products	04/14/2010	04/13/2013	Unknown reason
Ohio Wesleyan University	Master Product Sales Agreement	06/21/2010	06/20/2013	Customer is using other contarcts CDW holds
University of Minnesota	Electronic Commerce Agreement between the University of Minnes	11/15/2008	06/30/2013	New Contract was awarded to CDW
City of Tucson Department of Procurement-EXPIRED	National IPA Technology Solutions	03/01/2009	08/18/2013	New Contract was awarded to CDW
Paine College	Master Product Sales Agreement	09/14/2011	09/14/2013	Not Enough contract spend so Agreement was not extended
Massachusetts Higher Education Consortium	Massachusetts Consortium Contract - Multi-Media Equipment MC10	11/01/2010	09/30/2013	New Contract was awarded to CDW
University of Tennssee	Microcomputers University of Tennessee	10/01/2008	09/30/2013	CDW was not awarded a new agreement
University of Kentucky	Cisco Networking Products and Services	03/08/2010	03/09/2014	Unknown reason
Toccoa Falls College	Managed Print Services	04/13/2011	04/13/2014	Not Enough contract spend so Agreement was not extended
University of New Mexico	Agreement between University of New Mexico and CDWG for techn	04/17/2006	04/16/2014	Unknown reason
Morehouse School of Medicine	Master Product Sales Agreement	04/22/2013	04/22/2014	Agreement was not renewed as they became a member of a co-op
York College of Pennsylvania	York College of Pennsylvania Product Purchase Agreement	09/12/2008	05/20/2014	Spend was not high enough to extend
Universal Technical Institute	Master Product Sales Agreement between CDW Government LLC an	06/07/2010	06/07/2014	Unknown reason
Massachusetts Higher Education Consortium	MHEC Contract #F04, Software	07/01/2012	06/30/2014	New Contract was awarded to CDW•G
University of Connecticut	Invitation to Bid Document B991910-G Network and Security Hardw	07/10/2009	06/30/2014	Unknown reason
University of Connecticut	Network and Security Software	06/16/2010	06/30/2014	Unknown reason
Massachusetts Higher Education Consortium	MHEC Contract #04, Software	07/01/2010	06/30/2014	New Contract was awarded to CDW•G
Stratford University	MPSA between Stratford University and CDWG	07/13/2010	07/13/2014	Unknown reason
Illinois Valley Community College	Managed Print Services Agreement	08/04/2009	08/03/2014	Agreement was not renewed as they use other agreements
Bay De Noc Community College	Managed Print Services	08/19/2009	08/18/2014	Not Enough contract spend so Agreement was not extended
Barry University	Master Product Sales Agreement	08/22/2011	08/21/2014	Agreement was not renewed as they became a member of a co-op
Eastern Illinois University	Product Sales and Service Projects Agreement	04/15/2013	04/14/2015	Agreement was not renewed customer uses oterh agreements instead
Massachusetts Higher Education Consortium	MHEC Contract #F05, Technology	08/06/2011	07/31/2015	New Contract was awarded to CDW•G
Broome-Tioga BOCES	Broome-Tioga BOCES AV and Related Technology Equipment	01/16/2014	01/15/2015	Unknown reason
City of Hartford - Hartford Public Schools	City of Hartford - Hartford Public Schools Desktop, Laptop, Tablet Devices, Servers, Deployment/Other Technical Services, Device Parts/Peripherals, and Software Licensing	11/19/2012	08/31/2013	Rebid and CDWG was awarded a new contract
Clarkstown Central School District	Clarkstown Central School District Chromebooks (as needed)	01/24/2014	01/23/2014	Unknown reason
Eastern Suffolk BOCES	Eastern Suffolk BOCES Wireless Tablets and Notebooks	01/01/2014	11/30/2014	Unknown reason
Nassau BOCES	Nassau BOCES Computer Hardware, Software, Networking Supplies	01/30/2014	01/29/2015	Unknown reason
Nassau BOCES	Nassau BOCES NASSAU BOCES iPad Cases	05/01/2014	08/09/2015	Unknown reason
New York City Department of Education	New York City Department of Education A/V Equipment	11/06/2008	01/31/2014	Rebid and CDWG was awarded a new contract
New York City Department of Education	New York City Department of Education Interactive Whiteboard	11/06/2008	06/30/2013	Rebid and CDWG was awarded a new contract
New York City Department of Education	New York City Department of Education Printers, Software, Peripherals, Accessories & Related Services	04/01/2012	03/31/2015	Rebid and CDWG was awarded a new contract

Onondaga-Cortland-Madison Board of Cooperative Educational Ser	Onondaga-Cortland-Madison Board of Cooperative Educational Services DATA COMMUNICATIONS EQUIPMENT	11/01/2014	11/02/2015	Unknown reason
Onondaga-Cortland-Madison Board of Cooperative Educational Ser	Onondaga-Cortland-Madison Board of Cooperative Educational Services COMPUTER PERIPHERALS	04/04/2014	03/31/2015	Unknown reason
Onondaga-Cortland-Madison Board of Cooperative Educational Ser	Onondaga-Cortland-Madison Board of Cooperative Educational Services Computers, Storage Systems, Accessories and Replacement Parts	04/04/2014	03/31/2015	Unknown reason
Onondaga-Cortland-Madison Board of Cooperative Educational Ser	Onondaga-Cortland-Madison Board of Cooperative Educational Services (BOCES) OCM Data Communications Equip RFB-215-20	11/01/2014	11/02/2015	Unknown reason
Orange Ulster BOCES	Orange Ulster BOCES Google Chromebooks	10/19/2013	10/18/2014	Unknown reason
Patchogue Medford Schools	Patchogue Medford Schools AV Supply Bid	03/27/2015	06/30/2015	Unknown reason
PEPPM	PEPPM General Hardware & Software / Remanufacturered Toner & Ink Cartridges	01/01/2010	12/31/2013	Rebid and CDWG was awarded a new contract
PEPPM	PEPPM General Hardware and Software	04/21/2011	12/31/2014	Rebid and CDWG was awarded a new contract
Southern Westchester Board of Cooperative Educational Services	Southern Westchester Board of Cooperative Educational Services Chromebooks	01/17/2013	06/30/2014	Rebid and CDWG was awarded a new contract
Southern Westchester Board of Cooperative Educational Services	Southern Westchester Board of Cooperative Educational Services Misc. Printers	07/11/2013	12/31/2014	Unknown reason
Southern Westchester Board of Cooperative Educational Services	Southern Westchester Board of Cooperative Educational Services Microcomputer Hardware	09/05/2014	06/30/2015	Unknown reason
Southern Westchester Board of Cooperative Educational Services	Southern Westchester Board of Cooperative Educational Services Southern Westchester BOCES AV Pricing	09/01/2014	09/01/2015	Unknown reason
Southern Westchester Board of Cooperative Educational Services	Southern Westchester Board of Cooperative Educational Services Southern Westchester BOCES Chromebook & Google Software	07/10/2014	07/01/2015	Unknown reason
Ulster County BOCES	Ulster County BOCES Chromebook & Chromebox	12/20/2012	08/31/2014	Unknown reason
Western Suffolk BOCES	Western Suffolk BOCES Printer & Toner Cartidges	07/01/2013	06/30/2014	Unknown reason
Western Suffolk BOCES	Western Suffolk BOCES Samsung Series 3 Chromebook/Google MGT License & config services	01/01/2013	12/30/2013	Unknown reason
Western Suffolk BOCES	Western Suffolk BOCES Professional Days for Computer Network Support LAN/WAN	07/01/2013	06/30/2014	Unknown reason

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	**26-0273989**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
200 N. Milwaukee Avenue Vernon Hills, Illinois	**60061**
(Address of principal executive offices)	**(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 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

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.

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.

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

	Corporate Segment		Public Segment			
Customer Channels	**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.

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

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		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

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, SYNNEX 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.

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.

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, SYNNEX 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.

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

- 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.

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.

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.

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;

- 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.

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.

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.

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.

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

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 Stated 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.

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

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.

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

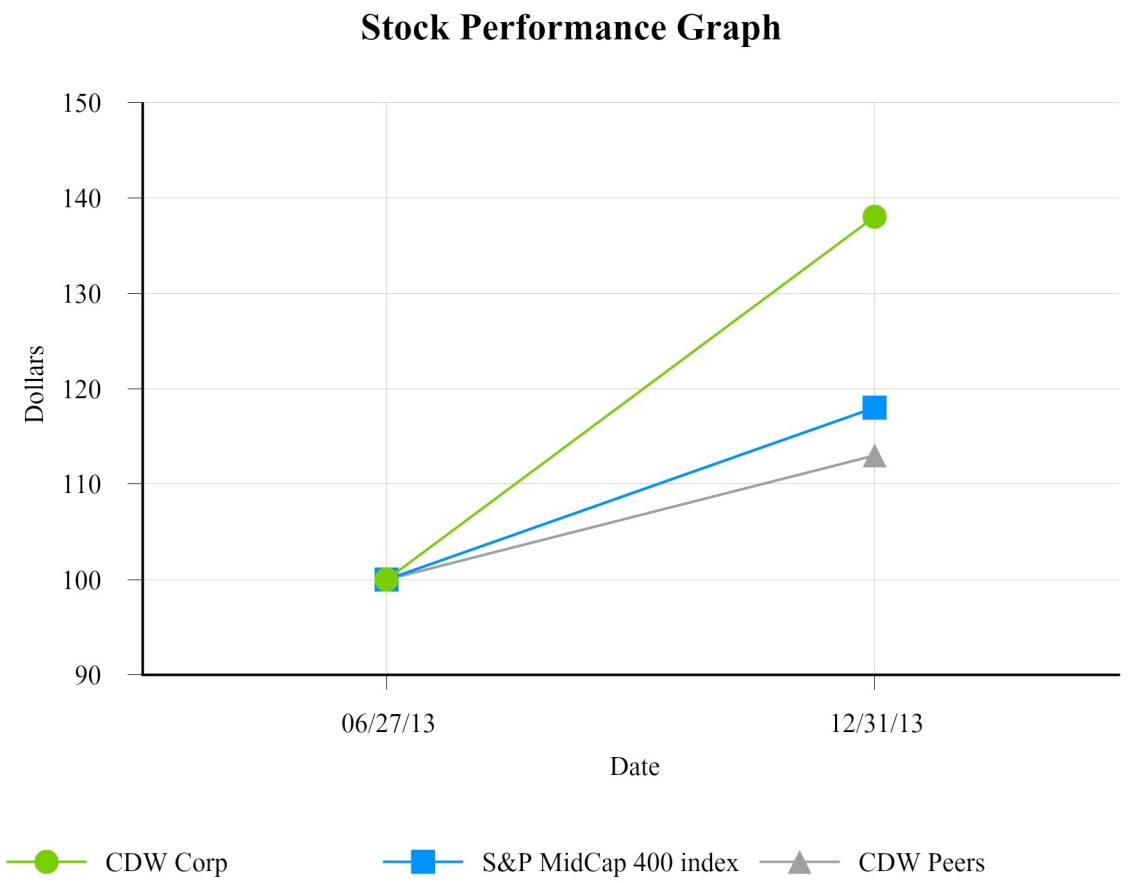
We expect to continue to pay a quarterly cash dividend on our common stock of $0.0425 per share, or $0.17 per annum. The initial quarterly cash dividend of $0.0425 per share was paid on December 2, 2013 to all common stockholders of record as of the close of business on November 15, 2013. On February 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.

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., SYNNEX 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.

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.

(dollars and shares in millions, except per share amounts)	Years Ended December 31, 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.

(2) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings before income taxes minus income from equity investees plus fixed charges. Fixed charges consist of interest 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.

(3) 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:

	Years Ended December 31,				
(in millions)	**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.

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

	Years Ended December 31,				
(in millions)	**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

(4) 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 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:

	Years Ended December 31,				
(in millions)	**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%.

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.

- 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.

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%

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,					
	2013		2012			
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	Dollar Change	Percent Change [1]
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,			
	2013	2012	Dollar Change	Percent Change
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

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.

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		
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	Percent Change in Income (Loss) from Operations
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

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

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

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

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			
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	Dollar Change	Percent Change [1]
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%.

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,			
	2012	2011	Dollar Change	Percent Change
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.

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		
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	Percent Change in Income (Loss) from Operations
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

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

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

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,

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.

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

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

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.

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

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

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

(3) Represents the rolling three-month average of the combined balance of accounts payable-trade, excluding cash 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

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)		December 31,	
	Interest Rate [1]	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

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.

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.

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.

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.

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.

(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.

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

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

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

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.

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.

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.

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.

Item 8. Financial Statements and Supplementary Data

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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

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.

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.

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.

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

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity (Deficit)
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)
Reclassification to goodwill for accrued charitable contributions	—	—	—	—	9.4	—	—	9.4
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.

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)	—	—
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.

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.

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

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.

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.

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.

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

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.

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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)

December 31, 2013	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
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.

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.

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)		December 31,	
	Interest Rate [1]	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

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

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

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.

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

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.

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

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.

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

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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Assumptions	Year Ended December 31, 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

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:

	Class B Common Units		
	Years Ended December 31,		
Assumptions	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.

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	—	—

(1) As discussed above, the Class B Common Units and MPK Plan Units were converted/settled into shares of the 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:

	Years Ended December 31,		
(in millions)	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.

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.

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 Stated 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.

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.

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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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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Condensed Consolidating Balance Sheet

(in millions)	December 31, 2012						
	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

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

(in millions)	Year Ended December 31, 2013						
	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	—	—	126.8	4.0	—	—	130.8
(Loss) income from operations	(24.4)	(103.9)	617.1	19.8	—	—	508.6
Interest (expense) income, net	—	(250.6)	0.2	0.3	—	—	(250.1)
Net loss on extinguishments of long-term debt	—	(64.0)	—	—	—	—	(64.0)
Management fee	—	4.3	—	(4.3)	—	—	—
Other (expense) income, net	—	(0.5)	1.2	0.3	—	—	1.0
(Loss) income before income taxes	(24.4)	(414.7)	618.5	16.1	—	—	195.5
Income tax benefit (expense)	9.2	142.2	(209.5)	(4.6)	—	—	(62.7)
(Loss) income before equity in earnings of subsidiaries	(15.2)	(272.5)	409.0	11.5	—	—	132.8
Equity in earnings of subsidiaries	148.0	420.5	—	—	—	(568.5)	—
Net income	$ 132.8	$ 148.0	$ 409.0	$ 11.5	$ —	$ (568.5)	$ 132.8

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

(in millions)	Year Ended December 31, 2012						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$ —	$ —	$ 9,683.0	$ 445.2	$ —	$ —	$ 10,128.2
Cost of sales	—	—	8,071.5	387.1	—	—	8,458.6
Gross profit	—	—	1,611.5	58.1	—	—	1,669.6
Selling and administrative expenses	—	103.7	891.6	34.2	—	—	1,029.5
Advertising expense	—	—	125.1	4.4	—	—	129.5
(Loss) income from operations	—	(103.7)	594.8	19.5	—	—	510.6
Interest (expense) income, net	—	(308.0)	0.4	0.2	—	—	(307.4)
Net loss on extinguishments of long-term debt	—	(17.2)	—	—	—	—	(17.2)
Management fee	—	3.8	—	(3.8)	—	—	—
Other income (expense), net	—	—	0.2	(0.1)	—	—	0.1
(Loss) income before income taxes	—	(425.1)	595.4	15.8	—	—	186.1
Income tax benefit (expense)	—	210.6	(272.6)	(5.1)	—	—	(67.1)
(Loss) income before equity in earnings of subsidiaries	—	(214.5)	322.8	10.7	—	—	119.0
Equity in earnings of subsidiaries	119.0	333.5	—	—	—	(452.5)	—
Net income	$ 119.0	$ 119.0	$ 322.8	$ 10.7	$ —	$ (452.5)	$ 119.0

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

(in millions)	Year Ended December 31, 2011						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$ —	$ —	$ 9,222.4	$ 380.0	$ —	$ —	$ 9,602.4
Cost of sales	—	—	7,688.8	330.1	—	—	8,018.9
Gross profit	—	—	1,533.6	49.9	—	—	1,583.5
Selling and administrative expenses	—	111.7	849.2	29.2	—	—	990.1
Advertising expense	—	—	119.0	3.7	—	—	122.7
(Loss) income from operations	—	(111.7)	565.4	17.0	—	—	470.7
Interest (expense) income, net	—	(324.5)	0.2	0.1	—	—	(324.2)
Net loss on extinguishments of long-term debt	—	(118.9)	—	—	—	—	(118.9)
Management fee	—	9.2	—	(9.2)	—	—	—
Other income (expense), net	—	0.4	0.5	(0.2)	—	—	0.7
(Loss) income before income taxes	—	(545.5)	566.1	7.7	—	—	28.3
Income tax benefit (expense)	—	215.1	(222.4)	(3.9)	—	—	(11.2)
(Loss) income before equity in earnings of subsidiaries	—	(330.4)	343.7	3.8	—	—	17.1
Equity in earnings of subsidiaries	17.1	347.5	—	—	—	(364.6)	—
Net income	$ 17.1	$ 17.1	$ 343.7	$ 3.8	$ —	$ (364.6)	$ 17.1

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income

	Year Ended December 31, 2013						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 126.1	$ 141.3	$ 409.0	$ 4.8	$ —	$ (555.1)	$ 126.1

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income

	Year Ended December 31, 2012						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 121.5	$ 121.5	$ 322.8	$ 13.2	$ —	$ (457.5)	$ 121.5

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income

(in millions)	Year Ended December 31, 2011						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 17.2	$ 17.2	$ 343.7	$ 2.0	$ —	$ (362.9)	$ 17.2

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2013						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$ (15.2)	$ (130.3)	$ 508.8	$ 5.5	$ —	$ (2.5)	$ 366.3
Cash flows from investing activities:							
Capital expenditures	—	(40.8)	(6.2)	(0.1)	—	—	(47.1)
Net cash used in investing activities	—	(40.8)	(6.2)	(0.1)	—	—	(47.1)
Cash flows from financing activities:							
Proceeds from borrowings under revolving credit facility	—	63.0	—	—	—	—	63.0
Repayments of borrowings under revolving credit facility	—	(63.0)	—	—	—	—	(63.0)
Repayments of long-term debt	—	(51.1)	—	—	—	—	(51.1)
Proceeds from issuance of long-term debt	—	1,535.2	—	—	—	—	1,535.2
Payments to extinguish long-term debt	—	(2,047.4)	—	—	—	—	(2,047.4)
Payment of debt financing costs	—	(6.1)	—	—	—	—	(6.1)
Net change in accounts payable-inventory financing	—	—	7.4	—	—	—	7.4
Payment of incentive compensation plan withholding taxes	—	(4.0)	(19.6)	(0.5)	—	—	(24.1)
Net proceeds from issuance of common shares	424.7	—	—	—	—	—	424.7
Dividends paid	(7.3)	—	—	—	—	—	(7.3)
Advances to/from affiliates	(402.2)	892.6	(490.4)	—	—	—	—
Other financing activities	—	0.4	—	—	—	—	0.4
Net cash provided by (used in) financing activities	15.2	319.6	(502.6)	(0.5)	—	—	(168.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(0.7)	—	—	(0.7)
Net increase in cash and cash equivalents	—	148.5	—	4.2	—	(2.5)	150.2
Cash and cash equivalents – beginning of period	—	48.0	—	9.8	—	(19.9)	37.9
Cash and cash equivalents – end of period	$ —	$ 196.5	$ —	$ 14.0	$ —	$ (22.4)	$ 188.1

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2012						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$ —	$ (204.3)	$ 514.2	$ 1.3	$ —	$ 6.2	$ 317.4
Cash flows from investing activities:							
Capital expenditures	—	(27.0)	(14.0)	(0.4)	—	—	(41.4)
Premium payments on interest rate cap agreements	—	(0.3)	—	—	—	—	(0.3)
Net cash used in investing activities	—	(27.3)	(14.0)	(0.4)	—	—	(41.7)
Cash flows from financing activities:							
Proceeds from borrowings under revolving credit facility	—	289.0	—	—	—	—	289.0
Repayments of borrowings under revolving credit facility	—	(289.0)	—	—	—	—	(289.0)
Repayments of long-term debt	—	(201.0)	—	—	—	—	(201.0)
Proceeds from issuance of long-term debt	—	135.7	—	—	—	—	135.7
Payments to extinguish long-term debt	—	(243.2)	—	—	—	—	(243.2)
Payment of debt financing costs	—	(2.1)	—	—	—	—	(2.1)
Net change in accounts payable-inventory financing	—	—	(29.5)	—	—	—	(29.5)
Advances to/from affiliates	—	486.0	(486.5)	0.5	—	—	—
Other financing activities	—	2.1	—	—	—	—	2.1
Net cash provided by (used in) financing activities	—	177.5	(516.0)	0.5	—	—	(338.0)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.3	—	—	0.3
Net (decrease) increase in cash and cash equivalents	—	(54.1)	(15.8)	1.7	—	6.2	(62.0)
Cash and cash equivalents – beginning of period	—	102.1	15.8	8.1	—	(26.1)	99.9
Cash and cash equivalents – end of period	$ —	$ 48.0	$ —	$ 9.8	$ —	$ (19.9)	$ 37.9

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2011						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$ —	$ (93.8)	$ 327.5	$ (0.3)	$ —	$ (18.7)	$ 214.7
Cash flows from investing activities:							
Capital expenditures	—	(33.4)	(10.6)	(1.7)	—	—	(45.7)
Cash settlements on interest rate swap agreements	—	(6.6)	—	—	—	—	(6.6)
Premium payments on interest rate cap agreements	—	(3.7)	—	—	—	—	(3.7)
Net cash used in investing activities	—	(43.7)	(10.6)	(1.7)	—	—	(56.0)
Cash flows from financing activities:							
Proceeds from borrowings under revolving credit facility	—	1,295.0	—	—	—	—	1,295.0
Repayments of borrowings under revolving credit facility	—	(1,483.2)	—	—	—	—	(1,483.2)
Repayments of long-term debt	—	(132.0)	—	—	—	—	(132.0)
Proceeds from issuance of long-term debt	—	1,175.0	—	—	—	—	1,175.0
Payments to extinguish long-term debt	—	(1,175.0)	—	—	—	—	(1,175.0)
Payment of debt financing costs	—	(26.3)	—	—	—	—	(26.3)
Net change in accounts payable-inventory financing	—	—	250.5	—	—	—	250.5
Advances to/from affiliates	—	552.6	(552.7)	0.1	—	—	—
Other financing activities	—	0.6	—	—	—	—	0.6
Net cash provided by (used in) financing activities	—	206.7	(302.2)	0.1	—	—	(95.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	—	—
Net increase (decrease) in cash and cash equivalents	—	69.2	14.7	(1.9)	—	(18.7)	63.3
Cash and cash equivalents – beginning of period	—	32.9	1.1	10.0	—	(7.4)	36.6
Cash and cash equivalents – end of period	$ —	$ 102.1	$ 15.8	$ 8.1	$ —	$ (26.1)	$ 99.9

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Selected Quarterly Financial Results (unaudited)

(in millions, except per-share amounts)	2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales Detail:				
Corporate:				
Medium/Large	$ 1,146.2	$ 1,271.4	$ 1,203.4	$ 1,281.6
Small Business	257.7	266.0	262.4	271.4
Total Corporate	1,403.9	1,537.4	1,465.8	1,553.0
Public:				
Government	252.3	295.7	375.3	327.3
Education	232.2	420.6	513.4	282.8
Healthcare	362.3	366.3	355.9	380.4
Total Public	846.8	1,082.6	1,244.6	990.5
Other	161.0	159.3	153.9	169.8
Net sales	$ 2,411.7	$ 2,779.3	$ 2,864.3	$ 2,713.3
Gross profit	$ 402.0	$ 451.6	$ 458.4	$ 448.3
Income from operations [1]	$ 120.1	$ 153.6	$ 92.9	$ 142.0
Net income (loss) [1]	$ 28.3	$ 46.7	$ (2.2)	$ 60.0
Net income (loss) per common share [1] [2]:				
Basic	$ 0.19	$ 0.32	$ (0.01)	$ 0.35
Diluted	$ 0.19	$ 0.32	$ (0.01)	$ 0.35

(in millions, except per-share amounts)	2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales Detail:				
Corporate:				
Medium/Large	$ 1,089.6	$ 1,124.7	$ 1,055.7	$ 1,178.5
Small Business	273.2	269.7	257.1	264.3
Total Corporate	1,362.8	1,394.4	1,312.8	1,442.8
Public:				
Government	262.6	318.0	408.6	404.9
Education	221.7	349.5	394.7	226.4
Healthcare	333.3	372.9	360.4	370.0
Total Public	817.6	1,040.4	1,163.7	1,001.3
Other	138.8	149.9	146.8	156.9
Net sales	$ 2,319.2	$ 2,584.7	$ 2,623.3	$ 2,601.0
Gross profit	$ 384.6	$ 426.9	$ 432.7	$ 425.4
Income from operations	$ 103.6	$ 136.4	$ 139.7	$ 130.9
Net income	$ 10.9	$ 36.8	$ 38.0	$ 33.3
Net income per common share [2]:				
Basic	$ 0.08	$ 0.25	$ 0.26	$ 0.23
Diluted	$ 0.07	$ 0.25	$ 0.26	$ 0.23

(1) The third quarter of 2013 included pre-tax IPO-related charges of $74.1 million. See Note 9 for additional discussion of the IPO.

(2) Basic and diluted net income (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted net income (loss) per share.

19. Subsequent Events

The Company 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. In connection with these redemptions, the Company expects 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, the Company announced that its board of directors declared a cash dividend on the Company's 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 the Company's board of directors.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2013, 2012 and 2011

(in millions)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year Ended December 31, 2013	$ 5.4	$ 2.8	$ (2.8)	$ 5.4
Year Ended December 31, 2012	5.4	3.9	(3.9)	5.4
Year Ended December 31, 2011	5.0	3.6	(3.2)	5.4
Reserve for sales returns:				
Year Ended December 31, 2013	$ 4.4	$ 35.0	$ (34.3)	$ 5.1
Year Ended December 31, 2012	4.5	33.2	(33.3)	4.4
Year Ended December 31, 2011	3.2	32.0	(30.7)	4.5

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. Management based this assessment on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control — Integrated Framework (1992 framework)."

Based on its assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting is effective.

Ernst & Young LLP, independent registered public accounting firm, has audited the consolidated financial statements of the Company and the Company's internal control over financial reporting and has included their reports herein.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
CDW Corporation

We have audited 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) (the COSO criteria). CDW Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CDW Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 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 of CDW Corporation and subsidiaries and our report dated March 5, 2014 expressed an unqualified opinion thereon.

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

Item 9B. Other Information

None.

PART III

Item 10. Directors, Managers, Executive Officers and Corporate Governance

We have adopted The CDW Way Code, our code of business conduct and ethics, that is applicable to all of our coworkers. Additionally, within The CDW Way Code is a Financial Integrity Code of Ethics that sets forth an even higher standard applicable to our executives, officers, members of our internal disclosure committee and all managers and above in our finance department. A copy of this code is available on our corporate website at www.cdw.com. If we make any substantive amendments to this code or grant any waiver from a provision to our chief executive officer, principal financial officer or principal accounting officer, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K.

See Part I - "Executive Officers" for information about our executive officers, which is incorporated by reference in this Item 10. Other information required under this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2014 annual meeting of stockholders on May 22, 2014 ("2014 proxy statement"), which we will file with the SEC on or before 120 days after our 2013 fiscal year-end.

Item 11. Executive Compensation

Information required under this Item 11 is incorporated herein by reference to the 2014 proxy statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required under this Item 12 is incorporated herein by reference to the 2014 proxy statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required under this Item 13 is incorporated herein by reference to the 2014 proxy statement.

Item 14. Principal Accountant Fees and Services

Information required under this Item 14 is incorporated herein by reference to the 2014 proxy statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Schedules

The following documents are filed as part of this report:

(1) Consolidated Financial Statements:

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Consolidated Balance Sheets as of December 31, 2013 and 2012	63
Consolidated Statements of Operations for the years ended December 31, 2013, 2012 and 2011	64
Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011	65
Consolidated Statements of Shareholders' Equity (Deficit) for the years ended December 31, 2013, 2012 and 2011	66
Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011	67
Notes to Consolidated Financial Statements	68

(2) Financial Statement Schedules:

	Page
Schedule II – Valuation and Qualifying Accounts	108

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 or notes thereto.

(b) Exhibits

The information required by this Item is set forth on the exhibit index that follows the signature page of this report.

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 CORPORATION

Date: March 5, 2014

By: /s/ Thomas E. Richards
Thomas E. Richards
Chairman, President and Chief Executive Officer

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.

Signature	Title	Date
/s/ Thomas E. Richards Thomas E. Richards	Chairman, President and Chief Executive Officer (principal executive officer) and Director	March 5, 2014
/s/ Ann E. Ziegler Ann E. Ziegler	Senior Vice President and Chief Financial Officer (principal financial officer)	March 5, 2014
/s/ Virginia L. Seggerman Virginia L. Seggerman	Vice President and Controller (principal accounting officer)	March 5, 2014
/s/ Steven W. Alesio Steven W. Alesio	Director	March 5, 2014
/s/ Barry K. Allen Barry K. Allen	Director	March 5, 2014
/s/ Benjamin D. Chereskin Benjamin D. Chereskin	Director	March 5, 2014
/s/ Glenn M. Creamer Glenn M. Creamer	Director	March 5, 2014
/s/ Michael J. Dominguez Michael J. Dominguez	Director	March 5, 2014
/s/ Paul J. Finnegan Paul J. Finnegan	Director	March 5, 2014
/s/ David W. Nelms David W. Nelms	Director	March 5, 2014
/s/ Robin P. Selati Robin P. Selati	Director	March 5, 2014
/s/ Donna F. Zarcone Donna F. Zarcone	Director	March 5, 2014

EXHIBIT INDEX

Exhibit Number	Description
3.1	Fifth Amended and Restated Certificate of Incorporation of CDW Corporation, previously filed as Exhibit 3.1 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
3.2	Amended and Restated By-Laws of CDW Corporation, previously filed as Exhibit 3.2 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
3.3	Articles of Organization of CDW LLC, previously filed as Exhibit 3.3 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.4	Amended and Restated Limited Liability Company Agreement of CDW LLC, previously filed as Exhibit 3.4 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.5	Certificate of Incorporation of CDW Finance Corporation, previously filed as Exhibit 3.5 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.6	By-Laws of CDW Finance Corporation, previously filed as Exhibit 3.6 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.7	Amended and Restated Articles of Incorporation of CDW Technologies, Inc., previously filed as Exhibit 3.7 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.8	Amended and Restated By-Laws of CDW Technologies, Inc., previously filed as Exhibit 3.8 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.9	Articles of Organization of CDW Direct, LLC, previously filed as Exhibit 3.9 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.10	Amended and Restated Limited Liability Company Agreement of CDW Direct, LLC, previously filed as Exhibit 3.10 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.11	Articles of Organization of CDW Government LLC, previously filed as Exhibit 3.11 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.12	Amended and Restated Limited Liability Company Agreement of CDW Government LLC, previously filed as Exhibit 3.12 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.13	Articles of Incorporation of CDW Logistics, Inc., previously filed as Exhibit 3.13 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.14	By-Laws of CDW Logistics, Inc., previously filed as Exhibit 3.14 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
4.1	Specimen Common Stock Certificate, previously filed as Exhibit 4.1 with CDW Corporation's Amendment No. 3 to Form S-1 filed on June 25, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
4.2	Senior Secured Note Indenture, dated as of December 17, 2010, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on December 21, 2010 and incorporated herein by reference.

Exhibit Number	Description
4.3	Senior Secured Note Supplemental Indenture, dated as of March 29, 2011, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on March 30, 2011 and incorporated herein by reference.
4.4	Second Senior Secured Note Supplemental Indenture, dated as of May 10, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on May 11, 2012 and incorporated herein by reference.
4.5	Form of Senior Secured Note (included as Exhibit A to Exhibit 4.1), previously filed as Exhibit 4.2 with CDW Corporation's Form 8-K filed on December 21, 2010 and incorporated herein by reference.
4.6	Senior Note Indenture, dated as of April 13, 2011, between CDW Escrow Corporation and U.S. Bank National Association as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on April 14, 2011 and incorporated herein by reference.
4.7	Senior Note Supplemental Indenture, dated as of April 13, 2011, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.2 with CDW Corporation's Form 8-K filed on April 14, 2011 and incorporated herein by reference.
4.8	Second Senior Note Supplemental Indenture, dated as of May 20, 2011, by and among CDW LLC, CDW Finance Corporation, CDW Escrow Corporation, the guarantors party thereto and U.S. Bank National Association as Trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on May 23, 2011 and incorporated herein by reference.
4.9	Third Senior Note Supplemental Indenture, dated as of February 17, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as Trustee, previously filed as Exhibit 4.5 with CDW Corporation's Form 8-K filed on February 17, 2012 and incorporated herein by reference.
4.10	Fourth Senior Note Supplemental Indenture, dated as of May 10, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.3 with CDW Corporation's Form 8-K filed on May 11, 2012 and incorporated herein by reference.
4.11	Form of Senior Note (included as Exhibit A to Exhibit 4.5), previously filed as Exhibit 4.3 with CDW Corporation's Form 8-K filed on April 14, 2011 and incorporated herein by reference.
4.12	Senior Notes Registration Rights Agreement, dated as of February 17, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and Barclays Capital Inc. as initial purchaser, previously filed as Exhibit 4.7 with CDW Corporation's Form 8-K filed on February 17, 2012 and incorporated herein by reference.
4.13	Senior Subordinated Exchange Note Indenture, dated as of October 10, 2008, by and among CDW Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.6 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
4.14	Senior Subordinated Exchange Note Supplemental Indenture, dated as of May 10, 2010, by and among CDW LLC, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.7 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
4.15	Second Senior Subordinated Exchange Note Supplemental Indenture, dated as of August 23, 2010, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.8 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
4.16	Third Senior Subordinated Exchange Note Supplemental Indenture, dated as of May 10, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.2 with CDW Corporation's Form 8-K filed on May 11, 2012 and incorporated herein by reference.

Exhibit Number	Description
4.17	Form of Fixed Rate Senior Subordinated Exchange Note due 2017 (included as Exhibit B to Exhibit 4.12), previously filed as Exhibit 4.10 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
4.18	Form of Global Fixed Rate Senior Subordinated Exchange Note due 2017, Series B, previously filed as Exhibit 4.11 with CDW Corporation's Form 10-K for the fiscal year ended December 31, 2010 and incorporated herein by reference.
10.1	Revolving Loan Credit Agreement, dated as of June 24, 2011, by and among CDW LLC, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, GE Commercial Distribution Finance Corporation, as floorplan funding agent, and the joint lead arrangers, joint bookrunners, co-collateral agents and other agents party thereto, previously filed as Exhibit 10.1 with CDW Corporation's Amendment No. 1 to Form S-4 filed on September 26, 2011 (Reg. No. 333-175597) and incorporated herein by reference.
10.2	Term Loan Agreement, dated as of April 29, 2013, by and among CDW LLC, the lenders from time to time party thereto, Barclays Bank PLC, as administrative agent and collateral agent, and the joint lead arrangers, joint bookrunners, co-syndication agents and co-documentation agents party thereto, previously filed as Exhibit 10.1 with CDW Corporation’s Form 8-K filed on May 1, 2013 and incorporated herein by reference.
10.3	First Amendment to Term Loan Agreement, dated as of May 30, 2013, by and among CDW LLC, the lenders from time to time party thereto, and Barclays Bank PLC, as administrative agent and collateral agent, previously filed as Exhibit 10.3 with CDW Corporation’s Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.4	Incremental Amendment, dated as of July 31, 2013, by and among CDW LLC, the lenders party thereto and Barclays Bank PLC, as administrative agent, previously filed as Exhibit 10.1 with CDW Corporation’s Form 8-K filed on August 1, 2013 and incorporated herein by reference.
10.5	Third Amendment to the Term Loan Agreement, dated as of September 12, 2013, by and among CDW LLC, the lenders from time to time party thereto and Barclays Bank PLC, as administrative agent and collateral agent, previously filed as Exhibit 10.2 with CDW Corporation's Form 10-Q filed on November 7, 2013 and incorporated herein by reference.
10.6	Second Amended and Restated Guarantee and Collateral Agreement, dated April 29, 2013, by and among CDW LLC, the guarantors party thereto and Barclays Bank PLC, as collateral agent, previously filed as Exhibit 10.2 with CDW Corporation’s Form 8-K filed on May 1, 2013 and incorporated herein by reference.
10.7	Management Services Agreement, dated as of October 12, 2007, by and between CDW Corporation, Madison Dearborn Partners V-B, L.P. and Providence Equity Partners L.L.C., previously filed as Exhibit 10.9 with CDW Corporation’s Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.8	Termination Agreement, dated as of June 12, 2013, by and among CDW Corporation, Madison Dearborn Partners V-B, L.P. and Providence Equity Partners L.L.C., previously filed as Exhibit 10.6 with CDW Corporation’s Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.9	Registration Agreement, dated as of October 12, 2007, by and among VH Holdings, Inc., CDW Holdings LLC, Madison Dearborn Capital Partners V-A, L.P., Madison Dearborn Capital Partners V-C, L.P., Madison Dearborn Partners V Executive-A, L.P., Providence Equity Partners VI L.P., Providence Equity Partners VI-A L.P., and the other securityholders party thereto, previously filed as Exhibit 10.10 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.10*	Withdrawal from Registration Agreement, dated as of November 12, 2013, by and between CDW Corporation and Paul S. Shain.
10.11*	Withdrawal from Registration Agreement, dated as of November 20, 2013, by and among CDW Corporation, James R. Shanks and BOS Holdings, LLC.
10.12§	CDW Holdings LLC 2007 Incentive Equity Plan, adopted as of October 12, 2007, previously filed as Exhibit 10.11 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.

Exhibit Number	Description
10.13§	Form of CDW Holdings LLC Class A Common Unit Purchase and Exchange Agreement under the CDW Holdings LLC 2007 Incentive Equity Plan (executed by Thomas E. Richards, John A. Edwardson, Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.12 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.14§	Form of CDW Holdings LLC Class A Common Unit Purchase and Exchange Agreement under the CDW Holdings LLC 2007 Incentive Equity Plan (executed by Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka and to be used for certain future investors), previously filed as Exhibit 10.13 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.15§	Form of CDW Holdings LLC Class B Common Unit Grant Agreement under the CDW Holdings LLC 2007 Incentive Equity Plan (executed by Thomas E. Richards, John A. Edwardson, Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.12 with CDW Corporation's Form 10-K filed on March 8, 2013 and incorporated herein by reference.
10.16§	Form of CDW Holdings LLC Class B Common Unit Grant Agreement under the CDW Holdings LLC 2007 Incentive Equity Plan (executed by Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka and to be used for certain future grantees), previously filed as Exhibit 10.13 with CDW Corporation's Form 10-K filed on March 8, 2013 and incorporated herein by reference.
10.17§	Form of Compensation Protection Agreement (executed by Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.18 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.18§	CDW Compensation Protection Plan, adopted as of December 10, 2002 and amended and restated effective as of January 1, 2009 (applicable to Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka), previously filed as Exhibit 10.19 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.19§	First Amendment to CDW Compensation Protection Plan, adopted as of December 10, 2002 and amended and restated effective as of January 1, 2009, dated as of January 3, 2012, previously filed as Exhibit 10.18 with CDW Corporation's Form 10-K filed on March 9, 2012 and incorporated herein by reference.
10.20§	Form of Noncompetition Agreement under the Compensation Protection Agreement, previously filed as Exhibit 10.20 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.21§	Form of Noncompetition Agreement under the CDW Compensation Protection Plan, previously filed as Exhibit 10.21 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.22§	CDW Restricted Debt Unit Plan, adopted as of March 10, 2010, previously filed as Exhibit 10.22 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.23§	Form of CDW Restricted Debt Unit Grant Notice and Agreement (executed by Thomas E. Richards, Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.23 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.24§	Form of CDW Restricted Debt Unit Grant Notice and Agreement (executed by Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka and to be used for certain future grantees), previously filed as Exhibit 10.24 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.25§	Senior Management Incentive Plan, as amended and restated effective January 1, 2010, previously filed as Exhibit 10.1 with CDW Corporation's Form 8-K filed on November 15, 2010 and incorporated herein by reference.
10.26§	Amended and Restated Compensation Protection Agreement, dated as of June 30, 2011, by and between CDW LLC and Thomas E. Richards, previously filed as Exhibit 10.3 with CDW Corporation's Form 8-K filed on July 1, 2011 and incorporated herein by reference.

Exhibit Number	Description
10.27§	Letter Agreement, dated as of September 13, 2011, by and between CDW Direct, LLC and Christina M. Corley, previously filed as Exhibit 10.31 with CDW Corporation's Form 10-K filed on March 9, 2012 and incorporated herein by reference.
10.28§	Form of CDW Holdings LLC (Director) Class A Common Unit Purchase Agreement (executed by Steven W. Alesio, Barry K. Allen, Benjamin D. Chereskin and Chereskin Dynasty Trust and Donna F. Zarcone), previously filed as Exhibit 10.32 with CDW Corporation's Form 10-K filed on March 8, 2013 and incorporated herein by reference.
10.29§	Form of Indemnification Agreement by and between CDW Corporation and its directors and officers, previously filed as Exhibit 10.32 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.30	Stockholders Agreement, dated as of June 10, 2013, by and among CDW Corporation, Madison Dearborn Capital Partners V-A, L.P., Madison Dearborn Capital Partners V-C, L.P., Madison Dearborn Capital Partners V Executive-A, L.P., Providence Equity Partners VI L.P., Providence Equity Partners VI-A L.P. and the other securityholders party thereto, previously filed as Exhibit 10.33 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.31§	CDW Corporation 2013 Senior Management Incentive Plan, previously filed as Exhibit 10.34 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.32§	CDW Corporation 2013 Long-Term Incentive Plan, previously filed as Exhibit 10.35 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.33§	CDW Corporation Coworker Stock Purchase Plan, previously filed as Exhibit 10.36 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.34§	Form of CDW Corporation Option Award Notice and Stock Option Agreement (executed by Thomas E. Richards), previously filed as Exhibit 10.37 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.35§	Form of CDW Corporation Option Award Notice and Stock Option Agreement (executed by Neal J. Campbell and Christina M. Corley), previously filed as Exhibit 10.38 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.36§	Form of CDW Corporation Restricted Stock Award Notice and Restricted Stock Award Agreement (executed by Thomas E. Richards, Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.12 with CDW Corporation's Form 10-Q filed on August 12, 2013 and incorporated herein by reference.
10.37§	Form of CDW Corporation Restricted Stock Award Notice and Restricted Stock Award Agreement (executed by Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka), previously filed as Exhibit 10.13 with CDW Corporation's Form 10-Q filed on August 12, 2013 and incorporated herein by reference.
10.38§	CDW Amended and Restated Restricted Debt Unit Plan, previously filed as Exhibit 10.3 with CDW Corporation's Form 10-Q filed on November 7, 2013 and incorporated herein by reference.
12.1*	Computation of ratio of earnings to fixed charges.
21.1	List of subsidiaries, previously filed as Exhibit 21.1 with CDW Corporation's Form S-4 filed on April 13, 2012 (Reg. No. 333-180715) and incorporated herein by reference.
23.1*	Consent of Ernst & Young LLP.
31.1*	Certification of Chief Executive Officer pursuant to Rule 15d-14(a) under the Securities Exchange Act of 1934.

Exhibit Number	Description
31.2*	Certification of Chief Financial Officer pursuant to Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** These items are furnished and not filed.

§ A management contract or compensatory arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

EDGAR Online

CDW CORP

FORM 10-K
(Annual Report)

Filed 02/26/15 for the Period Ending 12/31/14

Address	200 N MILWAUKEE AVE VERNON HILLS, IL 60061
Telephone	8474656000
CIK	0001402057
Symbol	CDW
SIC Code	5961 - Catalog and Mail-Order Houses
Fiscal Year	12/31

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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, 2014

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	**26-0273989**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
200 N. Milwaukee Avenue Vernon Hills, Illinois	**60061**
(Address of principal executive offices)	**(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 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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2014 , the last business day of the registrant's most recently completed second fiscal quarter, was $2,762.3 million , based on the per share closing sale price of $31.88 on that date.

As of February 20, 2015 , there were 172,275,656 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 2015 Annual Meeting of Shareholders, to be filed not later than 120 days after December 31, 2014 , are incorporated by reference into Part III of this report.

CDW CORPORATION AND SUBSIDIARIES

ANNUAL REPORT ON FORM 10-K
Year Ended December 31, 2014

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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,” “should,” “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.

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 over 100,000 products from more than 1,000 brands. We provide our products and solutions through sales force and service delivery teams consisting of nearly 4,600 coworkers, including more than 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 many of which 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 nearly $1 billion or more in net sales in 2014 . 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.

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

	Corporate Segment		Public Segment			
Customer Channels	**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
2014 Net Sales (in billions)	$5.5	$1.0	$1.5	$1.8	$1.6	$0.7

For further information on our segments, including financial results, see Note 17 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, Google, Hewlett-Packard, IBM, Lenovo, Microsoft, NetApp, Samsung, Symantec and VMware to emerging vendor partners such as Aerohive Networks, Box, Inc., Drobo, Jive, Nimble Storage, Nutanix, and Ruckus. In 2014 , we generated over $1 billion of revenue for each of four of our vendor partners and over $100 million of revenue for each of 12 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.

Prior to July 2, 2013, the date of our initial public offering (“IPO”), Parent was 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. Before the IPO, Madison Dearborn Partners, LLC and Providence Equity Partners L.L.C. owned 46.0% and 40.6% of our common stock, respectively. After the IPO and through subsequent secondary offerings in fourth quarter of 2013 and during 2014, the Sponsors' ownership has significantly decreased. As of December 31, 2014, the Sponsors own 15.5% and 13.7% of our common stock, respectively.

On July 2, 2013, Parent completed the 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.

On November 10, 2014, we completed the acquisition of a 35% non-controlling equity interest in Kelway TopCo Limited ("Kelway"), a UK-based IT solutions provider, which has global supply chain relationships that enable it to conduct business in more than 100 countries. This investment strengthens our ability to provide a more comprehensive solution to our customers and enhances our ability to serve our existing multi-national customers.

Our Market

We operate in the U.S. and Canadian IT markets, which are large and growing markets. According to IDC, the overall U.S. IT market generated approximately $675 billion in sales in 2014 . We believe our addressable market in the U.S. in the indirect sales channel represents more than $215 billion in annual sales and for the year ended December 31, 2014 , our U.S. net sales of $11.5 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 2014 . We believe our addressable market in Canada in the indirect sales channel represents more than $11 billion in annual sales and for the year ended December 31, 2014, our net sales of $532 million in Canada represented approximately 5% of that market. We believe we have the largest market share in our addressable market, with our 2014 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 t hat approximately 47% of our net sales in 2014 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* : We provide our customers with a broad portfolio of cloud-based solutions, which are technology delivered as a service. Our cloud offerings include: Infrastructure as a Service (IaaS), which delivers compute, networking, storage, and data center capabilities via the cloud; Software as a Service (SaaS), which connects users to cloud-based software applications; and Platform as a Service (PaaS), which enables development and ongoing maintenance of cloud-based solutions. We provide public cloud solutions which reside off customer premises on a public (shared) infrastructure, and private cloud solutions, which reside on customer premises. We also offer hybrid cloud solutions that deliver the benefits of both public and private solutions. Our migration, integration and managed

services offerings help our customers simplify cloud adoption, as well as the ongoing management of cloud solutions across the entire IT lifecycle. Dedicated Cloud Client Executives work with our customers to architect cloud solutions that meet their organizational, technology and financial objectives.

- *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 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, 2014		Year Ended December 31, 2013 [1]		Year Ended December 31, 2012 [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	$ 2,352.3	19.5%	$ 1,698.4	15.8%	$ 1,462.8	14.4%
NetComm Products	1,615.9	13.4	1,486.3	13.8	1,351.5	13.3
Enterprise and Data Storage (Including Drives)	1,024.3	8.5	999.2	9.3	981.5	9.7
Other Hardware	4,549.2	37.6	4,178.5	38.8	4,075.7	40.3
Software [2]	2,076.7	17.2	1,993.1	18.5	1,877.7	18.5
Services	371.4	3.1	332.7	3.1	285.0	2.8
Other [3]	84.7	0.7	80.4	0.7	94.0	1.0
Total net sales	$ 12,074.5	100.0%	$ 10,768.6	100.0%	$ 10,128.2	100.0%

(1) Amounts have been reclassified for changes in individual product classifications to conform to the presentation for the year ended December 31, 2014.

(2) The decline in software as a percentage of total net sales is primarily driven by a higher proportion of revenue recorded on a net basis, including SaaS.

(3) 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% , 7% and 10% of total net sales in 2014, 2013 and 2012, 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 2014 .

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: a 450,000 square foot facility in Vernon Hills, Illinois, and a 513,000 square foot facility in North Las Vegas, Nevada. We ship almost 37 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 15% to 20% 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 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, 2014 , 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 our three largest wholesale distributors, Tech Data, SYNNEX and Ingram Micro each represented 9% 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 54% of our net sales in 2014 . Sales of products manufactured by Hewlett-Packard and Cisco represented 18% and 14% , of our 2014 net sales, respectively.

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.

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, 2014 , we employed 7,211 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.

Item 1A. Risk Factors

There are many factors that affect our business, results of operations and cash flows, some of which are beyond our control. The following is a description of some important factors that may cause our actual results of operations and cash flows 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.

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 2014 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, 2014 , 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 2014 , products we purchased from distributors Tech Data, SYNNEX and Ingram Micro each represented 9% 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 54% of net sales in 2014 . Sales of products manufactured by Hewlett-Packard and Cisco represented approximately 18% and 14% , respectively, of our 2014 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 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.

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, while cloud-based solutions present an opportunity for us, cloud-based solutions and technologies that deliver technology solutions as a service could increase the amount of sales directly to customers rather than through solutions providers like us, or could reduce the amount of hardware we sell, leading to a reduction in our sales and/or 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
- 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 in our Public segment are derived from sales to governmental entities, 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, contracts in the Public segment are generally 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.

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. In addition, our exports are subject to regulations and noncompliance with these requirements could have a negative effect on 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.

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 continue to make strategic investments or acquisitions or enter into alliances.

We may continue to pursue transactions, including strategic investments, 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.

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.

Failure to comply with the laws and regulations applicable to our operations could adversely impact our business, results of operations or cash flows.

Our operations are subject to numerous U.S. and foreign laws and regulations in a number of areas including, but not limited to, areas of labor and employment, advertising, e-commerce, tax, import and export requirements, anti-corruption, data privacy requirements, anti-competition, and environmental, health, and safety. Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business, and the risk of noncompliance. We have implemented policies and procedures designed to help ensure compliance with applicable laws and regulations, but there can be no guarantee against coworkers, contractors, or agents violating such laws and regulations or our policies and procedures.

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 deferred approximately $114.5 million of OID deductions. Starting in 2014, we were required to include the deferred CODI and the deferred OID into taxable income ratably over a five-year period ending in 2018. Because we have more CODI than the aggregate of our deferred 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, 2014 , we had $3.2 billion of total long-term debt outstanding, as defined by GAAP, and $332.1 million of obligations outstanding under our inventory financing agreements, and the ability to borrow an additional $935.6 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, including original equipment manufacturers and software publishers;
- limiting our flexibility in planning for, or reacting to, changes in the industry in which we operate;

- placing us at a competitive disadvantage compared to any of our less-leveraged competitors;
- increasing our vulnerability to both general and industry-specific adverse economic conditions; and
- limiting our ability to obtain additional debt or equity financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increasing our cost of borrowing.

Restrictive covenants under our senior credit facilities and, to varying degrees, our indentures may adversely affect our operations and liquidity.

Our senior credit facilities and, to varying degrees, 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; or
- could require us to apply all of our available cash to repay these borrowings.

The acceleration of amounts outstanding under our senior credit facilities would likely trigger an event of default under our existing 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. If the lenders under our senior credit facilities 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 $1,250.0 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) 75% 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, 2014 was $1,253.4 million , and therefore, did not restrict our ability to borrow under our Revolving Loan as of that date.

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) $125.0 million and (ii) the greater of (A) 10% of the borrowing base and (B) $100.0 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 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 the indenture governing our 8.5% Senior Notes due 2019 ("2019 Senior Notes") 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, 2014 , we had approximately $935.6 million available for additional borrowing under our Revolving Loan after taking into account borrowing base limitations (net of $2.1 million of issued and undrawn letters of credit and $332.1 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, 2014 , we had $1,513.5 million of variable rate debt outstanding. If interest rates increase above 1% per annum, 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 enter into interest rate cap agreements in the future on acceptable terms or that such caps or the caps we have in place now will be effective.

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 influence over significant corporate activities and their interests may not align with yours.

Madison Dearborn beneficially owns approximately 15.5% of our common stock and Providence Equity beneficially owns approximately 13.7% of our common stock as of February 20, 2015. As a result of their ownership, each Sponsor, so long as it holds a sizable portion of our outstanding common stock, will have substantial voting power with respect to matters submitted to a vote of stockholders. In addition, so long as each Sponsor has representation on our board of directors, it will have the ability to exercise influence over decision-making with respect to our business direction and policies. Matters over which each of the Sponsors may, directly or indirectly, exercise influence 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.

Under our amended and restated certificate of incorporation, each Sponsor and its affiliates do not have any obligation to present to us, and each Sponsor may separately pursue, corporate opportunities of which it becomes aware, even if those opportunities are ones that we would have pursued if granted the opportunity.

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 20, 2015, there were 172,275,656 shares of our common stock outstanding. The shares of our common stock sold in our initial public offering and in registered secondary offerings 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, as that term is defined in the Securities Act, may be sold only in compliance with certain volume limitations and other restrictions of Rule 144 under 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 securities" within the meaning of Rule 144 under the Securities Act and subject to certain restrictions on resale. Restricted securities 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 under the Securities Act.

As of February 20, 2015, the holders of approximately 53,000,000 shares of our common stock will continue to have the right to require us to register the sales of such shares under the Securities Act, under the terms of an agreement between us and the holders.

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;
- 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;
- 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.

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 20, 2015, Madison Dearborn and Providence Equity each continue to hold a sizable portion 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 or repurchase any of our common stock under our share repurchase program, and our indebtedness and certain tax considerations could limit our ability to continue to pay dividends on, or make share repurchases of, 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.

We expect to continue to pay a cash dividend on our common stock of $0.0675 per share per quarter, or $0.27 per share per annum. Any determination to pay dividends in the future will be at the discretion of our board of directors. Any determination to pay dividends on, or repurchase, shares of our common stock in the future 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. In addition, our ability to pay dividends on, or repurchase, shares of 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. There can be no assurance that we will continue to pay a dividend at the current rate or at all or that we will repurchase shares of our common stock. 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, 2014 , we owned or leased a total of 2.3 million square feet of space throughout the U.S. and Canada. We own two properties: a combined office and a 450,000 square foot distribution center in Vernon Hills, Illinois, and a 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 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, group purchasing organizations and 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, 2014 , 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.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers

Name	Age	Position
Thomas E. Richards	60	Chairman, President and Chief Executive Officer, and Director
Dennis G. Berger	50	Senior Vice President and Chief Coworker Services Officer
Neal J. Campbell	53	Senior Vice President and Chief Marketing Officer
Christina M. Corley	47	Senior Vice President - Corporate Sales
Douglas E. Eckrote	50	Senior Vice President - Strategic Solutions and Services
Christine A. Leahy	50	Senior Vice President, General Counsel and Corporate Secretary
Christina V. Rother	51	Senior Vice President - Public and Advanced Technology Sales
Jonathan J. Stevens	45	Senior Vice President - Operations and Chief Information Officer
Matthew A. Troka	44	Senior Vice President - Product and Partner Management
Ann E. Ziegler	56	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. Mr. Richards has served as our President and Chief Executive Officer since October 2011 and was named Chairman on January 1, 2013. 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 International Inc. ("Qwest"), a broadband Internet-based communications company. 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, 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. Mr. Richards serves as a board member of Junior Achievement of Chicago, Rush University Medical Center and the University of Pittsburgh. Mr. Richards also is 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.

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 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 served on the Make-A-Wish Foundation of America National Chapter Performance Committee from 2009-2014. 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 ethics and compliance functions. She also is responsible for our international strategy and serves on the board of directors of Kelway, a UK-based technology solutions provider in which CDW has a minority investment. Ms. Leahy joined CDW in January 2002. Prior to that, Ms. Leahy served as a corporate partner in the Chicago office of Sidley Austin LLP where she specialized in mergers and acquisitions, strategic counseling, corporate governance and securities law. 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 and operational excellence practices. 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.

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, Groupon, Inc., and the board of governors of the Smart Museum of Art at the University of Chicago. 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 and the cash dividends per share of common stock declared for the periods indicated.

Year ended December 31, 2014	High	Low	Dividends declared per share
Fourth quarter	$ 36.08	$ 27.59	$ 0.0675
Third quarter	$ 33.80	$ 30.07	$ 0.0425
Second quarter	$ 32.41	$ 26.70	$ 0.0425
First quarter	$ 27.53	$ 22.72	$ 0.0425

Year ended December 31, 2013	High	Low	Dividends declared per share
Fourth quarter	$ 23.56	$ 20.50	$ 0.0425
Third quarter	$ 24.51	$ 18.26	$ —
Second quarter (beginning June 27, 2013)	$ 19.17	$ 17.38	$ —

Holders

As of February 20, 2015 , there were 71 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

On February 10, 2015 , we announced that our board of directors declared a quarterly cash dividend on our common stock of $0.0675 per share. The dividend will be paid on March 10, 2015 to all stockholders of record as of the close of business on February 25, 2015 .

We expect to continue to pay quarterly cash dividends on our common stock in the future, but such payments remain 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 to the accompanying audited consolidated financial statements included elsewhere in this report.

Issuer Purchases of Equity Securities

On November 6, 2014, we announced that the board of directors approved a $500 million share repurchase program, which became effective immediately, under which we may repurchase shares of our common stock in the open market or through privately negotiated transactions, depending on share price, market conditions and other factors. The share repurchase program does not obligate us to repurchase any dollar amount or number of shares, and repurchases may be commenced or

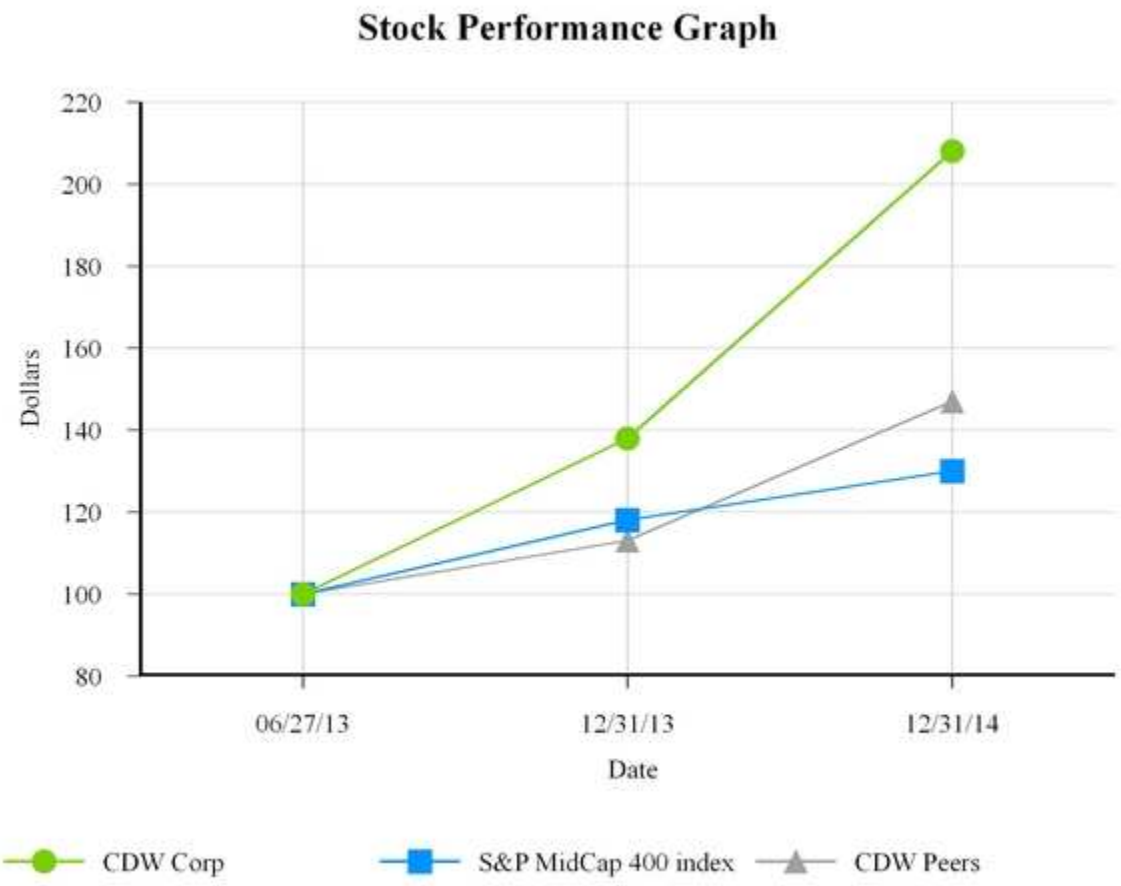
suspended from time to time without prior notice. As of the date of this filing, no shares have been repurchased under the share repurchase program.

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 we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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, 2014, 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. Our peer group index for 2014 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., SYNNEX 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 our 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 our 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	December 31, 2014
CDW Corp	$ 100	$ 138	$ 208
S&P MidCap 400 index	100	118	130
CDW Peers	100	113	147

Recent Sales of Unregistered Securities

None.

Use of Proceeds from Registered Securities

None.

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, 2014 and December 31, 2013 and for the years ended December 31, 2014, 2013, and 2012 from our audited consolidated financial statements and related notes, which are included elsewhere in this report. The selected financial data as of December 31, 2011 and December 31, 2010 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 years ended December 31, 2014, 2013, 2012, and 2011, we recorded net losses on extinguishments of long-term debt of $90.7 million , $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. Refer to Note 7 to the accompanying audited consolidated financial statements included elsewhere in this report for additional information on long-term debt.
- During the year ended December 31, 2013, we recorded IPO- and secondary-offering related expenses of $75.0 million. Refer to Note 9 to the accompanying audited consolidated financial statements included elsewhere in this report for additional information on the IPO- and secondary-offering related expenses.

(dollars and shares in millions, except per share amounts)	Years Ended December 31, 2014	2013	2012	2011	2010
Statement of Operations Data:					
Net sales	$ 12,074.5	$ 10,768.6	$ 10,128.2	$ 9,602.4	$ 8,801.2
Cost of sales	10,153.2	9,008.3	8,458.6	8,018.9	7,410.4
Gross profit	1,921.3	1,760.3	1,669.6	1,583.5	1,390.8
Selling and administrative expenses	1,110.3	1,120.9	1,029.5	990.1	932.1
Advertising expense	138.0	130.8	129.5	122.7	106.0
Income from operations	673.0	508.6	510.6	470.7	352.7
Interest expense, net	(197.3)	(250.1)	(307.4)	(324.2)	(391.9)
Net (loss) gain on extinguishments of long-term debt	(90.7)	(64.0)	(17.2)	(118.9)	2.0
Other income, net	2.7	1.0	0.1	0.7	0.2
Income (loss) before income taxes	387.7	195.5	186.1	28.3	(37.0)
Income tax (expense) benefit	(142.8)	(62.7)	(67.1)	(11.2)	7.8
Net income (loss)	$ 244.9	$ 132.8	$ 119.0	$ 17.1	$ (29.2)
Net income (loss) per common share:					
Basic	$1.44	$0.85	$0.82	$0.12	$(0.20)
Diluted	$1.42	$0.84	$0.82	$0.12	$(0.20)
Weighted-average common shares outstanding:					
Basic	170.6	156.6	145.1	144.8	144.4
Diluted	172.8	158.7	145.8	144.9	144.4
Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 344.5	$ 188.1	$ 37.9	99.9	$ 36.6
Working capital	985.4	810.9	666.5	538.1	675.4
Total assets	6,099.9	5,924.6	5,720.0	5,967.7	5,943.8
Total debt and capitalized lease obligations [1]	3,190.0	3,251.2	3,771.0	4,066.0	4,290.0
Total shareholders' equity (deficit)	936.5	711.7	136.5	(7.3)	(43.5)
Other Financial Data:					
Capital expenditures	$ 55.0	$ 47.1	$ 41.4	45.7	$ 41.5
Depreciation and amortization	207.9	208.2	210.2	204.9	209.4
Gross profit as a percentage of net sales	15.9%	16.3%	16.5%	16.5%	15.8%
Ratio of earnings to fixed charges [2]	2.9	1.8	1.6	1.1	(a)
EBITDA [3]	$ 792.9	$ 653.8	$ 703.7	557.4	$ 564.3
Adjusted EBITDA [3]	907.0	808.5	766.6	717.3	601.8
Non-GAAP net income [4]	409.9	314.3	247.1	198.8	85.7
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	$ 435.0	$ 366.3	$ 317.4	$ 214.7	$ 423.7
Investing activities	(164.8)	(47.1)	(41.7)	(56.0)	(125.4)
Financing activities	(112.0)	(168.3)	(338.0)	(95.4)	(350.1)

(1) Excludes borrowings of $332.1 million , $256.6 million , $249.2 million , $278.7 million and $28.2 million , as of December 31, 2014, 2013, 2012, 2011, and 2010, 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.

(2) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of earnings before income taxes minus income from equity investments plus distributed income from equity investments and 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 year ended December 31, 2010, earnings available for fixed charges were inadequate to cover fixed charges by $37.0 million.

(3) 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:

	Years Ended December 31,				
(in millions)	2014	2013	2012	2011	2010
Net income (loss)	$ 244.9	$ 132.8	$ 119.0	$ 17.1	$ (29.2)
Depreciation and amortization	207.9	208.2	210.2	204.9	209.4
Income tax expense (benefit)	142.8	62.7	67.1	11.2	(7.8)
Interest expense, net	197.3	250.1	307.4	324.2	391.9
EBITDA	792.9	653.8	703.7	557.4	564.3
Non-cash equity-based compensation	16.4	8.6	22.1	19.5	11.5
Sponsor fees	—	2.5	5.0	5.0	5.0
Consulting and debt-related professional fees	—	0.1	0.6	5.1	15.1
Net loss (gain) on extinguishments of long-term debt	90.7	64.0	17.2	118.9	(2.0)
Litigation, net [(i)]	(0.9)	(4.1)	4.3	—	—
IPO- and secondary-offering related expenses	1.4	75.0	—	—	—
Other adjustments [(ii)]	6.5	8.6	13.7	11.4	7.9
Adjusted EBITDA	$ 907.0	$ 808.5	$ 766.6	$ 717.3	$ 601.8

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

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

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

	Years Ended December 31,				
(in millions)	2014	2013	2012	2011	2010
EBITDA	$ 792.9	$ 653.8	$ 703.7	$ 557.4	$ 564.3
Depreciation and amortization	(207.9)	(208.2)	(210.2)	(204.9)	(209.4)
Income tax (expense) benefit	(142.8)	(62.7)	(67.1)	(11.2)	7.8
Interest expense, net	(197.3)	(250.1)	(307.4)	(324.2)	(391.9)
Net income (loss)	244.9	132.8	119.0	17.1	(29.2)
Depreciation and amortization	207.9	208.2	210.2	204.9	209.4
Equity-based compensation expense	16.4	46.6	22.1	19.5	11.5
Amortization of deferred financing costs, debt premium, and debt discount, net	6.4	8.8	13.6	15.7	18.0
Deferred income taxes	(89.1)	(48.7)	(56.3)	(10.2)	(4.3)
Allowance for doubtful accounts	0.3	—	—	0.4	(1.3)
Realized loss on interest rate swap agreements	—	—	—	2.8	51.5
Net loss (gain) on extinguishments of long-term debt	90.7	64.0	17.2	118.9	(2.0)
Income from equity investments	(1.2)	—	—	—	—
Changes in assets and liabilities	(41.8)	(47.1)	(9.4)	(158.3)	165.3
Other non-cash items	0.5	1.7	1.0	3.9	4.8
Net cash provided by operating activities	$ 435.0	$ 366.3	$ 317.4	$ 214.7	$ 423.7

(4) 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 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 for the periods presented:

	Years Ended December 31,				
(in millions)	2014	2013	2012	2011	2010
Net income (loss)	$ 244.9	$ 132.8	$ 119.0	$ 17.1	$ (29.2)
Amortization of intangibles [(i)]	161.2	161.2	163.7	165.7	166.8
Non-cash equity-based compensation	16.4	8.6	22.1	19.5	11.5
Litigation, net [(ii)]	(0.6)	(6.3)	—	—	—
Net loss on extinguishments of long-term debt	90.7	64.0	17.2	118.9	(2.0)
Interest expense adjustment related to extinguishments of long-term debt [(iii)]	(1.1)	(7.5)	(3.3)	(19.4)	(0.7)
IPO- and secondary-offering related expenses [(iv)]	1.4	75.0	—	—	—
Debt-related refinancing costs [(v)]	—	—	—	3.8	5.6
Aggregate adjustment for income taxes [(vi)]	(103.0)	(113.5)	(71.6)	(106.8)	(66.3)
Non-GAAP net income	$ 409.9	$ 314.3	$ 247.1	$ 198.8	$ 85.7

(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)	Years Ended December 31,	
	2014	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	1.4	2.4
IPO- and secondary-offering related expenses	$ 1.4	$ 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%.

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 nearly 4,600 coworkers, including more than 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 three other operating segments, CDW Advanced Services, Canada and Kelway TopCo Limited ("Kelway"), which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as "Other." In November 2014, we acquired a 35% non-controlling equity interest in Kelway. See Note 15 to the accompanying audited consolidated financial statements included elsewhere in this report for additional details.

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% , 7% and 10% of our net sales for the years ended December 31, 2014, 2013 and 2012, respectively. In 2013, and through the second quarter of 2014, Public segment results were impacted by the combined and residual negative effects of sequestration, the partial shutdown of the federal government in 2013 and federal government budget uncertainty. However, with the finalization of federal budget allocations in early 2014, we began to see improvement in federal sales in the second quarter of 2014. The momentum continued through the third quarter of 2014 in conjunction with the federal fiscal year-end. This recovery continued into the fourth quarter of 2014 in connection with increased customer confidence that a federal budget for 2015 would be in place.

- 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. While macroeconomic uncertainty drove a cautious approach to customer spending in the early part of 2013, uncertainty began to dissipate in the back half of 2013 and continued to dissipate throughout 2014. Our sales to small business customers increased in 2014 as a result of the improvement in the macroeconomic environment. We will continue to closely monitor macroeconomic conditions during 2015. 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. In 2014, market dynamics, including client device refresh and digital testing needs for K-12 students, drove customer demand for transactional products, primarily client devices, which include notebooks/mobile devices and desktops. Our diverse product suite of more than 100,000 products from over 1,000 leading and emerging brands and efficient, distribution capabilities enabled us to capitalize on this demand. While sales growth for transactional products was strong during the year, growth in solutions-focused products, including netcomm and software, also contributed to the increase in net sales during 2014. We expect the demand for client devices to moderate in 2015, both from the client device refresh slowing and a wind-down in preparation for digital testing requirements.

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 diluted share, Non-GAAP net income per diluted share, EBITDA and Adjusted EBITDA, return on invested capital, cash and cash equivalents, cash flow, 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, Non-GAAP net income per diluted share 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.

The results of certain key business metrics are as follows:

(dollars in millions)	Years Ended December 31,		
	2014	2013	2012
Net sales	$ 12,074.5	$ 10,768.6	$ 10,128.2
Gross profit	1,921.3	1,760.3	1,669.6
Income from operations	673.0	508.6	510.6
Net income	244.9	132.8	119.0
Non-GAAP net income	409.9	314.3	247.1
Adjusted EBITDA	907.0	808.5	766.6
Average daily sales	47.5	42.4	39.9
Net debt (defined as total debt minus cash and cash equivalents)	2,845.5	3,063.1	3,733.1
Cash conversion cycle (in days) [(1)]	21	23	24

(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. The prior periods have been revised to conform to the current definition.

Results of Operations

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

The following table presents our results of operations, in dollars and as a percentage of net sales, for the years ended December 31, 2014 and 2013 :

	Year Ended December 31, 2014		Year Ended December 31, 2013	
	Dollars in Millions	Percentage of Net Sales	Dollars in Millions	Percentage of Net Sales
Net sales	$ 12,074.5	100.0 %	$ 10,768.6	100.0 %
Cost of sales	10,153.2	84.1	9,008.3	83.7
Gross profit	1,921.3	15.9	1,760.3	16.3
Selling and administrative expenses	1,110.3	9.2	1,120.9	10.4
Advertising expense	138.0	1.1	130.8	1.2
Income from operations	673.0	5.6	508.6	4.7
Interest expense, net	(197.3)	(1.6)	(250.1)	(2.3)
Net loss on extinguishments of long-term debt	(90.7)	(0.8)	(64.0)	(0.6)
Other income, net	2.7	—	1.0	—
Income before income taxes	387.7	3.2	195.5	1.8
Income tax expense	(142.8)	(1.2)	(62.7)	(0.6)
Net income	$ 244.9	2.0 %	$ 132.8	1.2 %

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, 2014 and 2013 :

	Years Ended December 31,					
	2014		2013			
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	Dollar Change	Percent Change [1]
Corporate	$ 6,475.5	53.6%	$ 5,960.1	55.3%	$ 515.4	8.6%
Public	4,879.4	40.4	4,164.5	38.7	714.9	17.2
Other	719.6	6.0	644.0	6.0	75.6	11.7
Total net sales	$ 12,074.5	100.0%	$ 10,768.6	100.0%	$ 1,305.9	12.1%

(1) There were 254 selling days in both the years ended December 31, 2014 and 2013 .

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, 2014 and 2013 . Net sales of $150.1 million for the year ended December 31, 2013 have been reclassified from the small business customer channel to the medium/large customer channel to conform to the current period presentation.

(dollars in millions)	Years Ended December 31,			
	2014	2013	Dollar Change	Percent Change
Corporate:				
Medium / Large	$ 5,485.4	$ 5,052.7	$ 432.7	8.6%
Small Business	990.1	907.4	82.7	9.1
Total Corporate	$ 6,475.5	$ 5,960.1	$ 515.4	8.6%
Public:				
Government	$ 1,449.4	$ 1,250.6	$ 198.8	15.9%
Education	1,824.0	1,449.0	375.0	25.9
Healthcare	1,606.0	1,464.9	141.1	9.6
Total Public	$ 4,879.4	$ 4,164.5	$ 714.9	17.2%

Total net sales in 2014 increased $1,305.9 million , or 12.1% , to $12,074.5 million , compared to $10,768.6 million in 2013 . There were 254 selling days for both the years ended December 31, 2014 and 2013 . The increase in total net sales was primarily the result of continued growth in transactional products driven by notebooks/mobile devices and desktop computers as customers across all channels refreshed their client devices and K-12 customers continued to prepare for digital testing requirements, and the addition of more than 140 customer-facing coworkers, the majority in pre- and post-sale technical positions such as technical specialists and service delivery roles. Growth in solutions-focused products, including netcomm and software, also contributed to the increase in net sales during 2014 .

Corporate segment net sales in 2014 increased $515.4 million , or 8.6% , compared to 2013 , driven by sales growth in the medium/large customer channel. Within our Corporate segment, net sales to medium/large customers increased $432.7 million , or 8.6% , between years primarily due to customers refreshing their client devices and making continued investments in technology infrastructure and a continued focus on seller productivity. This increase was led by growth in notebooks/mobile devices, netcomm products, software, and desktop computers. Net sales to small business customers increased $82.7 million , or 9.1% , between years, driven by growth in notebooks/mobile devices and desktop computers due to customers refreshing their client devices.

Public segment net sales in 2014 increased $714.9 million , or 17.2% , between years, driven by strong performance across all channels. In 2013, and through the second quarter of 2014, Public segment results were impacted by the combined and residual negative effects of sequestration, the partial shutdown of the federal government in 2013 and federal government budget uncertainty. However, with the finalization of federal budget allocations in early 2014, we began to see improvement in federal sales in the second quarter of 2014 and saw continued momentum through the third quarter of 2014 in conjunction with

the federal fiscal year-end. This recovery continued into the fourth quarter of 2014 in connection with increased customer confidence that a federal budget for 2015 would be in place. Net sales to government customers increased $198.8 million , or 15.9% . The increase in net sales to the federal government was led by increases in sales of notebooks/mobile devices and desktop computers. The increase in net sales to state/local government customers was led by growth in sales of notebooks/mobile devices, netcomm products, enterprise storage, and software due to a continued focus on public safety solutions. Net sales to education customers increased $375.0 million , or 25.9% , between years, led by growth in net sales to K-12 customers, reflecting increased sales of notebooks/mobile devices to support digital testing requirements. Net sales to healthcare customers increased $141.1 million , or 9.6% , between periods, driven by growth in netcomm products, notebook/mobile devices, and desktop computers.

Gross profit

Gross profit increased $161.0 million , or 9.1% , to $1,921.3 million in 2014 , compared to $1,760.3 million in 2013 . As a percentage of total net sales, gross profit decreased 40 basis points to 15.9% during 2014 , down from 16.3% in 2013 . Gross profit margin was negatively impacted 30 basis points by unfavorable price/mix changes within product margin, as transactional product categories such as notebooks/mobile devices and desktops experienced a higher rate of net sales growth than our overall net sales growth, accompanied by continuing product margin compression in these product categories. Additionally, we experienced an unfavorable impact of 10 basis points from vendor funding in 2014. Although vendor funding dollars increased, it represented a lower percentage of net sales in 2014 compared to 2013 . Vendor funding includes purchase discounts, volume rebates and cooperative advertising.

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

Selling and administrative expenses

Selling and administrative expenses decreased $10.6 million , or 0.9% , to $1,110.3 million in 2014 , compared to $1,120.9 million in 2013 . The overall decrease was largely driven by the absence of $74.3 million in costs incurred during 2013 related to the completion of our IPO. This decrease was partially offset by an increase of $31.4 million, or 14.3%, of certain coworker costs between years which was primarily due to higher compensation consistent with increased coworker count and attainment-based compensation accruals tied to annual performance. Total coworker count was 7,211, up 244 from 6,967 at December 31, 2013 . In addition, sales payroll, including sales commissions and other variable compensation costs, increased $18.6 million, or 3.9% between years, consistent with higher sales and gross profit. Further offsetting the decrease in selling and administrative expenses was an increase in long-term compensation expense and equity compensation expense of $7.2 million during 2014.

As a percentage of total net sales, selling and administrative expenses decreased 120 basis points to 9.2% in 2014 , down from 10.4% in 2013 . The decrease in selling and administrative expenses as a percentage of net sales was largely driven by a decline of 70 basis points in costs related to the IPO in 2013 . Sales payroll as a percentage of net sales also decreased 30 basis points during 2014 reflecting the lower cost to serve transactional sales compared to solutions-focused sales, consistent with our variable compensation cost structure.

Advertising expense

Advertising expense increase d $7.2 million , or 5.5% , to $138.0 million in 2014 , compared to $130.8 million in 2013 . As a percentage of net sales, advertising expense remained relatively consistent at 1.1% in 2014 , compared to 1.2% in 2013 . 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.

Income from operations

The following table presents income from operations by segment, in dollars and as a percentage of net sales, and the year-over-year percentage change in income from operations for the years ended December 31, 2014 and 2013 :

	Year Ended December 31, 2014		Year Ended December 31, 2013		
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	Percent Change in Income from Operations
Segments: [1]					
Corporate	$ 439.8	6.8%	$ 363.3	6.1%	21.1%
Public	313.2	6.4	246.5	5.9	27.1
Other	32.9	4.6	27.2	4.2	20.9
Headquarters [2]	(112.9)	nm*	(128.4)	nm*	12.0
Total income from operations	$ 673.0	5.6%	$ 508.6	4.7%	32.3%

* Not meaningful

(1) Segment income (loss) from operations includes the segment's direct operating income (loss) and allocations for 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 $673.0 million in 2014 , an increase of $164.4 million , or 32.3% , compared to $508.6 million in 2013 . The increase in income from operations was driven by higher net sales and gross profit and the absence of IPO-related costs. Total operating margin percentage increased 90 basis points to 5.6% in 2014 , from 4.7% in 2013 . Operating margin percentage benefited from the decrease in selling and administrative expenses as a percentage of net sales, which was driven by the absence of $74.3 million in costs related to our IPO in 2013, and was partially offset by a decrease in gross profit margin.

Corporate segment income from operations was $439.8 million in 2014 , an increase of $76.5 million , or 21.1% , compared to $363.3 million in 2013 . This increase was primarily driven by higher net sales and gross profit. Corporate segment operating margin percentage increased 70 basis points to 6.8% in 2014 , from 6.1% in 2013 . Operating margin percentage benefited from the decrease in selling and administrative expenses as a percentage of net sales, which was driven by the absence of costs related to our IPO in 2013, and was partially offset by a decrease in gross profit margin.

Public segment income from operations was $313.2 million in 2014 , an increase of $66.7 million , or 27.1% , compared to $246.5 million in 2013 . This increase was primarily driven by higher net sales and gross profit. Public segment operating margin percentage increased 50 basis points to 6.4% in 2014 , from 5.9% in 2013 . Operating margin percentage benefited from the decrease in selling and administrative expenses as a percentage of net sales, which was driven by the absence of costs related to our IPO in 2013, and was partially offset by a decrease in gross profit margin.

Interest expense, net

At December 31, 2014 , our outstanding long-term debt totaled $3,190.0 million , compared to $3,251.2 million at December 31, 2013 . We reduced our long-term debt during 2014 through refinancing activities to redeem our higher interest debt. Net interest expense in 2014 was $197.3 million , a decrease of $52.8 million compared to $250.1 million in 2013 . This decrease was primarily due to lower debt balances and effective interest rates for 2014 compared to 2013 as a result of debt repayments and refinancing activities completed during 2014 and 2013 . See "Liquidity and Capital Resources" below for a description of the significant debt refinancings in 2014.

Net loss on extinguishments of long-term debt

During 2014, we recorded a net loss on extinguishments of long-term debt of $90.7 million compared to $64.0 million in 2013.

In December 2014, we redeemed $541.4 million aggregate principal amount of the 2019 Senior Notes. We recorded a loss on extinguishment of debt of $36.9 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 and unamortized premium.

In September 2014, we redeemed $234.7 million aggregate principal amount of the 2019 Senior Notes. We recorded a loss on extinguishment of debt of $22.1 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 and unamortized premium.

In August 2014, we redeemed all of the remaining $325.0 million aggregate principal amount of the 8.0% Senior Secured Notes due 2018 ("Senior Secured Notes"). We recorded a loss on extinguishment of debt of $23.7 million , representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for the remaining unamortized deferred financing costs.

In June 2014, we entered into the Senior Secured Asset-Based Revolving Credit Facility ("Revolving Loan"), a new five-year $1,250.0 million senior secured asset-based revolving credit facility. The Revolving Loan replaces our previous revolving loan credit facility that was to mature on June 24, 2016. In connection with the termination of the previous facility, we recorded a loss on extinguishment of long-term debt of $0.4 million , representing a write-off of a portion of unamortized deferred financing costs.

In May 2014, we redeemed all of the remaining $42.5 million aggregate principal amount of the 12.535% Senior Subordinated Exchange Notes due 2017 ("Senior Subordinated Notes"). We recorded a loss on extinguishment of long-term debt of $2.2 million , representing the difference between the redemption price and the net carrying amount of the purchased debt, adjusted for the remaining unamortized deferred financing costs.

In March 2014, we repurchased $25.0 million aggregate principal amount of the 2019 Senior Notes. We recorded a loss on extinguishment of long-term debt of $2.7 million , representing the difference between the repurchase price and the net carrying amount of the purchased debt, adjusted for a portion of the unamortized deferred financing costs.

In January and February 2014, we redeemed $50.0 million aggregate principal amounts of the Senior Subordinated Notes. We recorded a loss on extinguishment of long-term debt of $2.7 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 October 2013, we redeemed $155.0 million aggregate principal amount of the Senior Subordinated Notes. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of $8.5 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 August 2013, we redeemed $324.0 million aggregate principal amount of the 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 the 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 ("Term Loan"). 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 the 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.

Income tax expense

Income tax expense was $142.8 million in 2014 , compared to $62.7 million in 2013 . The effective income tax rate, expressed by calculating income tax expense or benefit as a percentage of income before income taxes, was 36.8% and 32.1% for 2014 and 2013 , respectively.

For 2014 , 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. 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. The higher effective tax rate for 2014 as compared to 2013 was primarily attributable to the favorable impact of changes in state tax apportionment factors had on deferred state income taxes in 2013 and a lower rate impact of state income tax credits due to the increase in income before income taxes in 2014.

Net income

Net income was $244.9 million in 2014 , compared to $132.8 million in 2013 . Significant factors and events causing the net changes between the periods are discussed above.

Non-GAAP net income

Non-GAAP net income was $409.9 million for the year ended December 31, 2014 , an increase of $95.6 million , or 30.4% , compared to $314.3 million for the year ended December 31, 2013 .

We have included a reconciliation of Non-GAAP net income for the years ended December 31, 2014 and 2013 below. Non-GAAP net income excludes, among other things, charges related to the amortization of acquisition-related intangible assets, 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,	
	2014	2013
Net income	$ 244.9	$ 132.8
Amortization of intangibles [1]	161.2	161.2
Non-cash equity-based compensation	16.4	8.6
Litigation, net [2]	(0.6)	(6.3)
Net loss on extinguishments of long-term debt	90.7	64.0
Interest expense adjustment related to extinguishments of long-term debt [3]	(1.1)	(7.5)
IPO- and secondary-offering related expenses [4]	1.4	75.0
Aggregate adjustment for income taxes [5]	(103.0)	(113.5)
Non-GAAP net income	$ 409.9	$ 314.3

(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,	
	2014	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	1.4	2.4
IPO- and secondary-offering related expenses	$ 1.4	$ 75.0

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

Adjusted EBITDA

Adjusted EBITDA was $907.0 million for the year ended December 31, 2014 , an increase of $98.5 million , or 12.2% , compared to $808.5 million for the year ended December 31, 2013 . As a percentage of net sales, Adjusted EBITDA was 7.5% for both the years ended December 31, 2014 and 2013 .

We have included a reconciliation of EBITDA and Adjusted EBITDA for the years ended December 31, 2014 and 2013 in the tables 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 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,	
	2014	2013
Net income	$ 244.9	$ 132.8
Depreciation and amortization	207.9	208.2
Income tax expense	142.8	62.7
Interest expense, net	197.3	250.1
EBITDA	792.9	653.8
Adjustments:		
Non-cash equity-based compensation	16.4	8.6
Sponsor fee	—	2.5
Net loss on extinguishments of long-term debt	90.7	64.0
Litigation, net [(1)]	(0.9)	(4.1)
IPO- and secondary-offering related expenses [(2)]	1.4	75.0
Other adjustments [(3)]	6.5	8.7
Total adjustments	114.1	154.7
Adjusted EBITDA	$ 907.0	$ 808.5

(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, 2014 and 2013 .

(in millions)	Years Ended December 31,	
	2014	2013
EBITDA	$ 792.9	$ 653.8
Depreciation and amortization	(207.9)	(208.2)
Income tax expense	(142.8)	(62.7)
Interest expense, net	(197.3)	(250.1)
Net income	244.9	132.8
Depreciation and amortization	207.9	208.2
Equity-based compensation expense	16.4	46.6
Deferred income taxes	(89.1)	(48.7)
Amortization of deferred financing costs, debt premium, and debt discount, net	6.4	8.8
Net loss on extinguishments of long-term debt	90.7	64.0
Other	(0.4)	1.7
Changes in assets and liabilities	(41.8)	(47.1)
Net cash provided by operating activities	$ 435.0	$ 366.3

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 %

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,					
	2013		2012			
	Dollars in Millions	Percentage of Total Net Sales	Dollars in Millions	Percentage of Total Net Sales	Dollar Change	Percent Change (1)
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. Net sales of $150.1 million and $124.2 million for the years ended December 31, 2013 and 2012 have been reclassified from the small business customer channel to the medium/large customer channel to conform to the 2014 presentation.

(in millions)	Years Ended December 31,			
	2013	2012	Dollar Change	Percent Change
Corporate:				
Medium / Large	$ 5,052.7	$ 4,572.7	$ 480.0	10.5 %
Small Business	907.4	940.1	(32.7)	(3.5)
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 10.5% 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 3.5% 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 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 $91.3 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.

Income from operations

The following table presents income from operations by segment, in dollars and as a percentage of net sales, and the year-over-year percentage change in income from operations for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013		Year Ended December 31, 2012		
	Dollars in Millions	Operating Margin Percentage	Dollars in Millions	Operating Margin Percentage	Percent Change in Income from Operations
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

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

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

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.

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 the Senior Subordinated Notes. In connection with this redemption, we recorded a loss on extinguishment of long-term debt of $8.5 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 August 2013, we redeemed $324.0 million aggregate principal amount of the 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 the 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 Term Loan. 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 the 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 the 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 11.0% Senior Exchange Notes due 2015 and 11.5%/12.25% Senior PIK Election Exchange Notes due 2015 (together, the "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 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.

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 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

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.

Long-Term Debt Activities

During the year ended December 31, 2014, we had significant debt refinancings. In connection with these refinancings, we recorded a loss on extinguishment of long-term debt of $90.7 million in our consolidated statement of operations for the year ended December 31, 2014. See Note 7 to the accompanying audited consolidated financial statements included elsewhere in this report for additional details.

Share Repurchase Program

On November 6, 2014, we announced that our Board of Directors approved a $500 million share repurchase program effective immediately under which we may repurchase shares of our common stock in the open market or through privately negotiated transactions, depending on share price, market conditions and other factors. The share repurchase program does not obligate us to repurchase any dollar amount or number of shares, and repurchases may be commenced or suspended from time to time without prior notice. As of the date of this filing, no shares have been repurchased under the share repurchase program.

Dividends

A summary of 2014 dividend activity for our common stock is shown below:

Dividend Amount	Declaration Date	Record Date	Payment Date
$0.0425	February 12, 2014	February 25, 2014	March 10, 2014
$0.0425	May 8, 2014	May 27, 2014	June 10, 2014
$0.0425	July 31, 2014	August 25, 2014	September 10, 2014
$0.0675	November 6, 2014	November 25, 2014	December 10, 2014

On February 10, 2015, we announced that our board of directors declared a quarterly cash dividend on our common stock of $0.0675 per share. The dividend will be paid on March 10, 2015 to all stockholders of record as of the close of business on February 25, 2015.

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.

Cash Flows

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Net cash provided by (used in):			
Operating activities	$ 435.0	$ 366.3	$ 317.4
Investing activities	(164.8)	(47.1)	(41.7)
Net change in accounts payable - inventory financing	75.5	7.4	(29.5)
Other financing activities	(187.5)	(175.7)	(308.5)
Financing activities	(112.0)	(168.3)	(338.0)
Effect of exchange rate changes on cash and cash equivalents	(1.8)	(0.7)	0.3
Net increase (decrease) in cash and cash equivalents	$ 156.4	$ 150.2	$ (62.0)

Operating Activities

Net cash provided by operating activities for 2014 increased $68.7 million compared to 2013 . 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 $476.8 million during 2014 , compared to $413.4 million during 2013 . The increase in cash of $63.4 million reflected stronger operating results in 2014 compared to 2013 . Net changes in assets and liabilities reduced cash by $41.8 million in 2014 compared to a reduction of $47.1 million in 2013 , resulting in a change of $5.3 million between periods. The decrease in inventory balances year over year contributed to a $111.7 million increase in cash flows which was primarily due to the timing of inventory receipts and earlier than expected inventory shipments at the end of 2014 due to accelerated customer roll-outs. Partially offsetting the increase in cash flows from inventory was a decline in cash inflows from accounts payable of $102.4 million driven by the timing of inventory receipts at the end of 2014 versus 2013.

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.

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,		
	2014	2013	2012
Days of sales outstanding (DSO) [1]	42	44	42
Days of supply in inventory (DIO) [2]	13	14	14
Days of purchases outstanding (DPO) [3]	(34)	(35)	(32)
Cash conversion cycle	21	23	24

(1) Represents the rolling three-month average of the balance of trade accounts receivable, net at the end of the period divided by average daily net sales 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. The prior period has been revised to conform to the current definition.

(3) Represents the rolling three-month average of the combined balance of accounts payable-trade, excluding cash 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 decreased to 21 days at December 31, 2014 compared to 23 days at December 31, 2013, primarily driven by improvement in DSO. The decline in DSO was primarily driven by improved collections and early payments from certain customers. Additionally, the timing of inventory receipts at the end of 2014 had a favorable impact on DIO and an unfavorable impact on DPO.

The cash conversion cycle decreased to 23 days at December 31, 2013 compared to 24 days at December 31, 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.

Investing Activities

Net cash used in investing activities increased $117.7 million in 2014 compared to 2013 . We paid $86.8 million in the fourth quarter of 2014 to acquire a 35% non-controlling interest in Kelway. Additionally, capital expenditures increased $7.9 million to $55.0 million from $47.1 million for 2014 and 2013 , respectively, primarily for improvements to our information technology systems during both years.

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.

Financing Activities

Net cash used in financing activities decreased $56.3 million in 2014 compared to 2013 . The decrease was primarily driven by several debt refinancing 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 $161.3 million and $569.4 million during 2014 and 2013 , respectively, as cash was used in each period to reduce our total long-term debt. See Note 7 to the accompanying audited consolidated financial statements included elsewhere in this report for a description of the debt transactions impacting each period.

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 our total long-term debt.

Long-Term Debt and Financing Arrangements

As of December 31, 2014, we had total indebtedness of $ 3.2 billion , of which $1.5 billion was secured indebtedness.

At December 31, 2014, we were in compliance with the covenants under our various credit agreements and indentures. Under the indenture governing the 8.5% Senior Notes due 2019, which contains the most restrictive restricted payment provisions in our various credit agreements and indentures, we are generally restricted from paying dividends and making other restricted payments. For the purpose of determining restricted payment capacity, consolidated net income or loss includes certain adjustments that are defined in the applicable indenture. At December 31, 2014, the amount of cumulative consolidated net income free of restrictions under our credit agreements and indentures was $230.3 million .

See Note 7 to the accompanying audited consolidated financial statements included elsewhere in this report for further details regarding our debt and each of the transactions described below.

During the year ended December 31, 2014, the following events occurred with respect to our debt structure:

- On January 22, 2014 and February 21, 2014, we redeemed $30.0 million and $20.0 million aggregate principal amounts of the 12.535% Senior Subordinated Exchange Notes due 2017, respectively.
- On March 20, 2014, we repurchased and subsequently canceled $25.0 million aggregate principal amount of the 8.5% Senior Notes due 2019 from an affiliate of Providence Equity in a privately-negotiated transaction on an arms' length basis.
- On May 9, 2014, we redeemed all of the remaining $42.5 million aggregate principal amount of the 12.535% Senior Subordinated Exchange Notes due 2017.
- On June 6, 2014, we entered into a new five-year $1,250.0 million senior secured asset-based revolving credit facility which will mature on June 6, 2019.
- On August 5, 2014, we completed the issuance of $600.0 million aggregate principal amount of 6.0% Senior Notes due 2022 which will mature on August 15, 2022.
- On September 5, 2014, we redeemed all of the remaining $325.0 million aggregate principal amount of the 12.535% Senior Subordinated Exchange Notes due 2017, plus accrued and unpaid interest through the date of redemption.
- On September 5, 2014, we redeemed $234.7 million aggregate principal amount of the 8.5% Senior Notes due 2019, plus accrued and unpaid interest through the date of redemption.
- On December 1, 2014, we completed the issuance of $575.0 million principal amount of 5.5% Senior Notes due 2024 which will mature on December 1, 2024.
- On December 31, 2014, we redeemed $541.4 million aggregate principal amount of the 8.5% Senior Notes due 2019, plus accrued and unpaid interest through the date of redemption.

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. 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. See Note 5 to the accompanying audited consolidated financial statements included elsewhere in this report for further details.

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, 2014, based on undiscounted amounts.

(in millions)	Payments Due by Period				
	Total	< 1 year	1-3 years	4-5 years	> 5 years
Term Loan [1]	$ 1,767.8	$ 64.4	$ 127.3	$ 125.3	$ 1,450.8
Senior Notes due 2019 [2]	696.6	42.8	85.7	568.1	—
Senior Notes due 2022 [2]	889.0	37.0	72.0	72.0	708.0
Senior Notes due 2024 [2]	891.3	31.6	63.3	63.3	733.1
Operating leases [3]	127.5	19.1	31.4	26.4	50.6
Asset retirement obligations [4]	0.5	—	0.5	—	—
Total	$ 4,372.7	$ 194.9	$ 380.2	$ 855.1	$ 2,942.5

(1) Includes future principal and cash interest payments on long-term borrowings through scheduled maturity dates. Interest payments for variable rate debt were calculated using interest rates as of December 31, 2014. Excluded from these amounts are the amortization of debt issuance and other costs related to indebtedness.

(2) Includes future principal and cash interest payments on long-term borrowings through scheduled maturity dates. Interest on the Senior Notes is calculated using the stated interest rates. Excluded from these amounts are the amortization of debt issuance and other costs related to indebtedness.

(3) Includes the minimum lease payments for non-cancelable leases of properties and equipment used in our operations. Additionally, included in these amounts are future minimum lease payments commencing in the fourth quarter of 2016 that relate to a new lease entered into in December 2014 for our future headquarters in Lincolnshire, Illinois. Also reflected in these amounts is the future expiration of two leases in the first quarter of 2016 for facilities currently in use by us which we plan to consolidate into the new headquarters location and accordingly, these leases will not be renewed.

(4) 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

The information set forth in Note 14 to the accompanying audited consolidated financial statements included in Part II, Item 8 of this Form 10-K is incorporated herein by reference.

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 15% to 20% 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 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.

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.

Recent Accounting Pronouncements

The information set forth in Note 2 to the accompanying audited consolidated financial statements included in Part II, Item 8 of this Form 10-K is incorporated herein by reference.

Subsequent Events

The information set forth in Note 20 to the accompanying audited consolidated financial statements included in Part II, Item 8 of this Form 10-K is incorporated herein by reference.

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.

W e 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.

As of December 31, 2014 we have ten interest rate cap agreements in effect through January 14, 2015 with a combined notional amount of $1,150.0 million which entitled the Company to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds a weighted average rate of 2.4% during the agreement period.

During the year ended December 31, 2014 , we entered into 14 additional interest rate cap agreements with a combined notional amount of $1,000.0 million . These interest rate cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. The entire $1,000.0 million notional amount entitles us to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds 2.0% during the agreement period. The interest rate cap agreements are effective from January 14, 2015 through January 14, 2017. See Note 7 to the accompanying audited consolidated financial statements included elsewhere in this report for additional details.

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.

Item 8. Financial Statements and Supplementary Data

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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, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 26, 2015

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

	December 31,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 344.5	$ 188.1
Accounts receivable, net of allowance for doubtful accounts of $5.7 and $5.4, respectively	1,561.1	1,451.0
Merchandise inventory	337.5	382.0
Miscellaneous receivables	155.6	146.3
Prepaid expenses and other	54.7	46.1
Total current assets	2,453.4	2,213.5
Property and equipment, net	137.2	131.1
Equity investments	86.7	—
Goodwill	2,217.6	2,220.3
Other intangible assets, net	1,168.8	1,328.0
Deferred financing costs, net	33.0	30.1
Other assets	3.2	1.6
Total assets	$ 6,099.9	$ 5,924.6
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable-trade	$ 704.0	$ 662.8
Accounts payable-inventory financing	332.1	256.6
Current maturities of long-term debt	15.4	45.4
Deferred revenue	81.3	94.8
Accrued expenses:		
Compensation	130.1	112.2
Interest	28.1	31.8
Sales taxes	29.1	29.2
Advertising	34.0	33.2
Income taxes	0.2	6.3
Other	113.7	130.3
Total current liabilities	1,468.0	1,402.6
Long-term liabilities:		
Debt	3,174.6	3,205.8
Deferred income taxes	475.0	563.5
Other liabilities	45.8	41.0
Total long-term liabilities	3,695.4	3,810.3
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred shares, $0.01 par value, 100.0 shares authorized, and no shares issued or outstanding for both periods	—	—
Common shares, $0.01 par value, 1,000.0 shares authorized; 172.2 and 172.0 shares issued, respectively; 172.2 and 172.0 shares outstanding, respectively	1.7	1.7
Paid-in capital	2,711.9	2,688.1
Accumulated deficit	(1,760.5)	(1,971.8)
Accumulated other comprehensive loss	(16.6)	(6.3)
Total shareholders' equity	936.5	711.7
Total liabilities and shareholders' equity	$ 6,099.9	$ 5,924.6

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

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

	Years Ended December 31,		
	2014	2013	2012
Net sales	$ 12,074.5	$ 10,768.6	$ 10,128.2
Cost of sales	10,153.2	9,008.3	8,458.6
Gross profit	1,921.3	1,760.3	1,669.6
Selling and administrative expenses	1,110.3	1,120.9	1,029.5
Advertising expense	138.0	130.8	129.5
Income from operations	673.0	508.6	510.6
Interest expense, net	(197.3)	(250.1)	(307.4)
Net loss on extinguishments of long-term debt	(90.7)	(64.0)	(17.2)
Other income, net	2.7	1.0	0.1
Income before income taxes	387.7	195.5	186.1
Income tax expense	(142.8)	(62.7)	(67.1)
Net income	$ 244.9	$ 132.8	$ 119.0
Net income per common share:			
Basic	$ 1.44	$ 0.85	$ 0.82
Diluted	$ 1.42	$ 0.84	$ 0.82
Weighted-average number of common shares outstanding:			
Basic	170.6	156.6	145.1
Diluted	172.8	158.7	145.8
Cash dividends declared per common share	$ 0.1950	$ 0.0425	$ —

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

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

	Years Ended December 31,		
	2014	2013	2012
Net income	$ 244.9	$ 132.8	$ 119.0
Foreign currency translation adjustment (net of tax benefit of $0.5 million, $0 million, and $0 million, respectively)	(10.3)	(6.7)	2.5
Other comprehensive (loss) income	(10.3)	(6.7)	2.5
Comprehensive income	$ 234.6	$ 126.1	$ 121.5

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

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

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' (Deficit) Equity
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)
Net income	—	—	—	—	—	119.0	—	119.0
Incentive compensation plan units withheld for taxes	—	—	—	—	(0.5)	—	—	(0.5)
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)
Reclassification to goodwill for accrued charitable contributions	—	—	—	—	9.4	—	—	9.4
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
Equity-based compensation expense	—	—	—	—	16.4	—	—	16.4
Stock options exercised	—	—	—	—	1.3	—	—	1.3
Excess tax benefits from equity-based compensation	—	—	—	—	0.3	—	—	0.3
Coworker stock purchase plan	—	—	0.2	—	5.8	—	—	5.8
Dividends declared	—	—	—	—	—	(33.6)	—	(33.6)
Net income	—	—	—	—	—	244.9	—	244.9
Foreign currency translation adjustment	—	—	—	—	—	—	(10.3)	(10.3)
Balance at December 31, 2014	—	$ —	172.2	$ 1.7	$ 2,711.9	$ (1,760.5)	$ (16.6)	$ 936.5

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

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

	Years Ended December 31,		
	2014	2013	2012
Cash flows from operating activities:			
Net income	$ 244.9	$ 132.8	$ 119.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	207.9	208.2	210.2
Equity-based compensation expense	16.4	46.6	22.1
Deferred income taxes	(89.1)	(48.7)	(56.3)
Allowance for doubtful accounts	0.3	—	—
Amortization of deferred financing costs, debt premium, and debt discount, net	6.4	8.8	13.6
Net loss on extinguishments of long-term debt	90.7	64.0	17.2
Income from equity investments	(1.2)	—	—
Other	0.5	1.7	1.0
Changes in assets and liabilities:			
Accounts receivable	(117.6)	(170.8)	(10.4)
Merchandise inventory	44.2	(67.5)	7.1
Other assets	(18.7)	(10.1)	(3.8)
Accounts payable-trade	43.7	146.1	0.8
Other current liabilities	1.7	64.1	(2.1)
Long-term liabilities	4.9	(8.9)	(1.0)
Net cash provided by operating activities	435.0	366.3	317.4
Cash flows from investing activities:			
Capital expenditures	(55.0)	(47.1)	(41.4)
Payment for equity investment	(86.8)	—	—
Payment of accrued charitable contribution related to the MPK Coworker Incentive Plan II	(20.9)	—	—
Premium payments on interest rate cap agreements	(2.1)	—	(0.3)
Net cash used in investing activities	(164.8)	(47.1)	(41.7)
Cash flows from financing activities:			
Proceeds from borrowings under revolving credit facility	—	63.0	289.0
Repayments of borrowings under revolving credit facility	—	(63.0)	(289.0)
Repayments of long-term debt	(15.4)	(51.1)	(201.0)
Proceeds from issuance of long-term debt	1,175.0	1,535.2	135.7
Payments to extinguish long-term debt	(1,299.0)	(2,047.4)	(243.2)
Payments of debt financing costs	(21.9)	(6.1)	(2.1)
Investment from CDW Holdings LLC, net	—	—	2.8
Net change in accounts payable-inventory financing	75.5	7.4	(29.5)
Proceeds from issuance of common shares	—	424.7	—
Proceeds from stock option exercises	1.3	—	—
Proceeds from Coworker Stock Purchase Plan	5.8	—	—
Dividends paid	(33.6)	(7.3)	—
Excess tax benefits from equity-based compensation	0.3	0.6	—
Payment of incentive compensation plan withholding taxes	—	(24.1)	—
Repurchase of common shares	—	(0.2)	(0.7)
Net cash used in financing activities	(112.0)	(168.3)	(338.0)
Effect of exchange rate changes on cash and cash equivalents	(1.8)	(0.7)	0.3
Net increase (decrease) in cash and cash equivalents	156.4	150.2	(62.0)
Cash and cash equivalents – beginning of period	188.1	37.9	99.9
Cash and cash equivalents – end of period	$ 344.5	$ 188.1	$ 37.9
Supplementary disclosure of cash flow information:			

Interest paid	$ (195.8)	$ (267.6)	$ (302.7)
Taxes paid, net of taxes refunded	$ (241.2)	$ (82.5)	$ (123.2)
Non-cash investing and financing activities:			
Capital expenditures accrued in accounts payable-trade	$ 0.6	$ 0.2	$ 0.5

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

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

CDW Corporation ("Parent") 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.

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

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 18 and does not hold any material assets or engage in any business activities or operations.

CDW Corporation 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.

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”).

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.

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, less accumulated depreciation. 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, 2014 and 2013.

Equity Investments

If the Company is not required to consolidate its investment in another entity because it does not have control, the Company uses the equity method if it (i) can exercise significant influence over the other entity and (ii) holds common stock of the other entity. Under the equity method, investments are carried at cost, plus or minus the Company’s share of equity in the increases and decreases in the investee’s net assets after the date of acquisition and adjustments for basis differences. The Company’s share of the net income or loss of equity method investees is included in other income, net in the consolidated statements of operations.

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 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, 2014, 2013 and 2012 , the Company concluded its goodwill was not impaired. 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, 2014, 2013 and 2012 , 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 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.

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,		
	2014	2013	2012
Foreign currency translation adjustment	$ (16.6)	$ (6.3)	$ 0.4
Accumulated other comprehensive (loss) income	$ (16.6)	$ (6.3)	$ 0.4

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.

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 using the straight-line method in its consolidated financial statements. Estimated 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. The functional currency of the Company's equity investment in Kelway TopCo Limited ("Kelway") is the local currency, the British pound sterling. Assets and liabilities of the Canadian subsidiary and the Company’s share of assets and liabilities in Kelway are translated at the spot rate in effect at the applicable reporting date and the consolidated results of operations of the Canadian subsidiary and the Company’s share of the net income or loss of Kelway 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.

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

Stock Compensation - Performance Share Awards

In June 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-12, “Compensation - Stock Compensation,” which amended the standard on how to account for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. Under this ASU, a performance target that could be achieved after the requisite service period is required to be treated as a performance condition that affects the vesting of the award and should not be reflected in estimating the fair value of the award at the grant date. This ASU is effective for the first quarter of 2016 with early adoption permitted. The Company already accounts for performance shares utilizing the method outlined by this ASU and is not impacted by the new standard.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition standard. This ASU is effective for the Company for the first quarter of 2017 and early adoption is not permitted. This ASU allows for either a full retrospective adoption approach or a modified retrospective adoption approach. The Company is currently evaluating the impact that this ASU will have on its consolidated financial position, results of operations and cash flows.

3. Property and Equipment

Property and equipment consisted of the following:

(in millions)	December 31,	
	2014	2013
Land	$ 27.7	$ 27.7
Machinery and equipment	54.3	53.0
Building and leasehold improvements	105.1	104.8
Computer and data processing equipment	65.6	61.2
Computer software	10.6	30.9
Furniture and fixtures	21.7	21.6
Construction in progress	24.7	10.9
Property and equipment	309.7	310.1
Less: accumulated depreciation	172.5	179.0
Property and equipment, net	$ 137.2	$ 131.1

During 2014, 2013 and 2012, the Company recorded disposals of $32.0 million , $7.9 million and $12.2 million , respectively, to remove assets that were no longer in use from property and equipment. The Company recorded a pre-tax loss of $0.1 million , $0.0 million and $0.1 million in 2014, 2013 and 2012, respectively, for certain disposed assets that were not fully depreciated.

Depreciation expense for the years ended December 31, 2014, 2013 and 2012 was $25.8 million , $27.2 million and $32.0 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 three other operating segments, CDW Advanced Services, Canada, and Kelway, 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 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, 2014 Evaluation

The Company performed its annual evaluation of goodwill as of December 1, 2014 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 169% , 147% , 276% and 78% 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 2014 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 9.0% ; cash flows for the Canada and CDW Advanced Services reporting units were discounted at 9.3% and 11.5% , respectively, based on the future growth rates assumed in the discounted cash flows. Discount rates utilized during the 2014 goodwill evaluation declined compared to those used in 2013 as a result of the market performance of the Company's common stock and a lower equity risk premium with the exception of CDW Advanced Services. The discount rate for CDW Advanced Services increased to account for additional forecast risk.

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

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The following table presents the change in goodwill by segment for the years ended December 31, 2014 and 2013 :

(in millions)	Corporate	Public	Other [1]	Consolidated
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
2014 Activity:				
Translation adjustment	$ —	$ —	$ (2.7)	$ (2.7)
	$ —	$ —	$ (2.7)	$ (2.7)
Balances as of December 31, 2014:				
Goodwill	$ 2,803.2	$ 1,265.4	$ 102.8	$ 4,171.4
Accumulated impairment charges	(1,571.4)	(354.1)	(28.3)	(1,953.8)
	$ 1,231.8	$ 911.3	$ 74.5	$ 2,217.6

(1) Other is comprised of CDW Advanced Services, Canada, and Kelway reporting units. There is no goodwill attributable to the Kelway reporting unit.

(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.

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents a summary of intangible assets at December 31, 2014 and 2013 :

(in millions)

December 31, 2014	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 1,859.7	$ 1,012.1	$ 847.6
Trade name	421.0	152.0	269.0
Internally developed software	110.1	58.9	51.2
Other	3.2	2.2	1.0
Total	$ 2,394.0	$ 1,225.2	$ 1,168.8

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

During 2014, the Company recorded disposals of $41.7 million to remove fully amortized internally developed software assets that were no longer in use from intangible assets.

Amortization expense related to intangible assets for the years ended December 31, 2014, 2013 and 2012 was $182.1 million , $181.0 million and $178.2 million , respectively.

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

(in millions)

Years ending December 31,	
2015	$ 180.7
2016	172.8
2017	167.1
2018	160.4
2019	158.9

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,	
	2014	2013
Revolving Loan inventory financing agreement	$ 330.1	$ 256.1
Other inventory financing agreements	2.0	0.5
Accounts payable-inventory financing	$ 332.1	$ 256.6

As described in Note 7, in June 2014, the Company entered into a new senior secured asset-based revolving credit facility, which incorporates the previous inventory floorplan sub-facility and, among other changes, removes the $400.0 million limit on the size of the floorplan sub-facility. 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.

The Company also maintains other inventory financing agreements with financial intermediaries to facilitate the purchase of inventory from certain vendors. At December 31, 2014 and 2013 , amounts owed under other inventory financing agreements of $2.0 million and $0.5 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, 2014, 2013 and 2012 , rent expense under these lease arrangements was $21.4 million , $20.7 million and $22.4 million , respectively.

Future minimum lease payments are as follows:

(in millions) Years ending December 31,	
2015	$ 19.1
2016	15.3
2017	16.1
2018	13.6
2019	12.8
Thereafter	50.6
Total future minimum lease payments [1]	$ 127.5

(1) Included in these amounts are future minimum lease payments commencing in the fourth quarter of 2016 that relate to a new lease entered into in December 2014 for the Company's future headquarters in Lincolnshire, Illinois. Also reflected in these amounts is the future expiration of two leases in the first quarter of 2016 for facilities currently in use by the Company which the Company plans to consolidate into the new headquarters location and accordingly, these leases will not be renewed.

7. Long-Term Debt

Long-term debt was as follows:

(dollars in millions)		December 31,	
	Interest Rate [1]	2014	2013
Senior secured asset-based revolving credit facility	—%	$ —	$ —
Senior secured term loan facility	3.25%	1,513.5	1,528.9
Unamortized discount on senior secured term loan facility		(3.7)	(4.4)
Senior secured notes due 2018	—%	—	325.0
Senior notes due 2019	8.5%	503.9	1,305.0
Unamortized premium on senior notes due 2019		1.3	4.2
Senior notes due 2022	6.0%	600.0	—
Senior notes due 2024	5.5%	575.0	—
Senior subordinated notes due 2017	—%	—	92.5
Total long-term debt		3,190.0	3,251.2
Less current maturities of long-term debt		(15.4)	(45.4)
Long-term debt, excluding current maturities		$ 3,174.6	$ 3,205.8

(1) Interest rate at December 31, 2014 .

At December 31, 2014 , the Company was in compliance with the covenants under its various credit agreements and indentures as described below. Under the indenture governing the 8.5% Senior Notes due 2019, which contains 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. For the purpose of determining restricted payment capacity, consolidated net income or loss includes certain adjustments that are defined in the applicable indenture. At December 31, 2014 , the amount of cumulative consolidated net income free of restrictions under the credit agreements and indentures ("Restricted Payment Capacity") was $230.3 million .

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

At December 31, 2014 , the Company had no outstanding borrowings under the Revolving Loan, $2.1 million of undrawn letters of credit and $312.3 million reserved related to the floorplan sub-facility.

On June 6, 2014, the Company entered into the Revolving Loan, a new five-year $1,250.0 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 6, 2019, subject to an acceleration provision discussed below. The Revolving Loan replaces the Company's previous revolving loan credit facility that was to mature on June 24, 2016. The Revolving Loan (i) increases the overall revolving credit facility capacity available to the Company from $900.0 million to $1,250.0 million , (ii) increases the maximum aggregate amount of increases that may be made to the revolving credit facility from $200.0 million to $300.0 million , (iii) maintains a maturity acceleration provision based upon excess cash availability whereby the Revolving Loan may mature 45 days prior to the final maturity of any then outstanding senior debt if excess cash availability does not exceed the outstanding borrowings of the subject maturing debt at the time of the test plus $150.0 million , (iv) decreases the fee on the unused portion of the revolving credit facility from either 37.5 or 50 basis points, depending on the amount of utilization, to 25 basis points, (v) decreases the applicable interest rate margin by 50 basis points, and (vi) amends the existing inventory floorplan sub-facility as discussed below. In connection with the termination of the previous facility, the Company recorded a loss on extinguishment of long-term debt of $0.4 million in the consolidated statement of operations for the year ended December 31, 2014 , representing a write-off of a portion of unamortized deferred financing costs. Fees of $6.4 million related to the Revolving Loan were capitalized as deferred financing costs and are being amortized over the five-year term of the facility on a straight-line basis.

The Revolving Loan incorporates the previous inventory floorplan sub-facility and related Revolving Loan inventory financing agreement while removing the previous $400.0 million limit on the size of the floorplan sub-facility and the in-transit reserve of 15% of open orders. At December 31, 2014 , the financial intermediary reported an outstanding balance of $312.3 million under the Revolving Loan inventory financing agreement. The amount included on the Company's consolidated balance sheet as of December 31, 2014 as accounts payable-inventory financing related to the Revolving Loan inventory financing agreement of $330.1 million includes a $17.8 million accrual for amounts in transit.

Borrowings under the Revolving Loan bear interest at a variable interest rate plus an applicable margin. The interest rate margin is based on one of two indices, either (i) LIBOR, or (ii) the Alternate Base Rate ("ABR") with the ABR being the greater 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 (1.50% to 2.00% for LIBOR borrowings and 0.50% to 1.00% for ABR borrowings) depending upon average daily excess cash availability under the agreement evidencing the Revolving Loan and is subject to a reduction of 0.25% if, and for as long as, CDW LLC's corporate credit rating from Standard & Poor's Rating Services is BB or better and CDW LLC's corporate family rating from Moody's Investors Service, Inc. is Ba3 or better (in each case with stable or better outlook).

Under the new Revolving Loan, the Company is permitted to borrow an aggregate amount of $1,250.0 million ; however, its ability to borrow under the Revolving Loan is limited by a borrowing base. 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, 2014 , the borrowing base was $1,253.4 million based on the amount of eligible inventory and accounts receivable balances as of November 30, 2014. The Company could have borrowed up to an additional $935.6 million under the Revolving Loan at December 31, 2014 .

The ability to borrow under the Revolving Loan also remains limited by a minimum liquidity condition which provides that, if excess cash availability is less than the lesser of (i) $125.0 million and (ii) the greater of (A) 10.0% of the borrowing base and (B) $100.0 million , the lenders are not required to lend any additional amounts under the Revolving Loan unless the consolidated fixed charge coverage ratio (as described in the agreement evidencing the Revolving Loan) is at least 1.00 to 1.00 .

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 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, 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.

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, 2014 , the outstanding principal amount of the Term Loan was $1,513.5 million , excluding $3.7 million in unamortized discount.

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. The total net leverage ratio was 3.1 at December 31, 2014 . An interest rate of 3.25% , LIBOR Floor plus a 2.25% margin, was in effect during the three-month period ended December 31, 2014 .

In order to manage the risk associated with changes in interest rates on borrowings under the Term Loan, the Company has entered into interest rate cap agreements. The Company had ten interest rate cap agreements in effect through January 14, 2015 with a combined notional amount of $1,150.0 million which entitled the Company to payments from the counterparty of the amount, if any, by which three-month LIBOR exceeds a weighted average rate of 2.4% during the agreement period. The fair value of these interest rate cap agreements was zero at both December 31, 2014 and 2013.

In connection with the expiration of the ten interest rate cap agreements noted above, during the year ended December 31, 2014 , the Company entered into 14 additional interest rate cap agreements with a combined notional amount of $1,000.0 million . Under these agreements, the Company made premium payments totaling $2.1 million to the counterparties in exchange for the right to receive payments equal to the amount, if any, by which three-month LIBOR exceeds 2.0% during the agreement period. These interest rate cap agreements are effective from January 14, 2015 through January 14, 2017. The fair value of these interest rate cap agreements was $1.7 million at December 31, 2014 .

The Company's interest rate cap agreements have not been designated as cash flow hedges of interest rate risk for GAAP accounting purposes. The interest rate cap agreements are recorded at fair value on the Company’s

consolidated balance sheet in Other Assets each period, with changes in fair value recorded directly to interest expense in the Company's consolidated statements of operations. The fair value of the Company's interest rate cap agreements is classified as Level 2 in the fair value hierarchy. The valuation of the interest rate cap agreements is derived by using a discounted cash flow analysis on the expected cash receipts that would occur if variable interest rates rise above the strike rates of the caps. This analysis reflects the contractual terms of the interest rate cap agreements, including the period to maturity, and uses observable market-based inputs, including LIBOR curves and implied volatilities. The Company also incorporates insignificant credit valuation adjustments to appropriately reflect the respective counterparty's nonperformance risk in the fair value measurements. The counterparty credit spreads are based on publicly available credit information obtained from a third party credit data provider.

See Note 20 for a description of the interest rate cap agreements entered into during the first quarter of 2015.

On January 30, 2013, the Company made an optional prepayment of $40.0 million aggregate principal amount outstanding under the Prior Term Loan Facility. The optional prepayment satisfied the excess cash flow payment provision of the Prior Term Loan Facility with respect to the year ended December 31, 2012.

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 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")

At December 31, 2014 , there were no outstanding Senior Secured Notes.

On August 5, 2014, the proceeds from the issuance of the 2022 Senior Notes discussed below, along with cash on hand, were deposited with the trustee to redeem all of the remaining $325.0 million aggregate principal amount of the Senior Secured Notes at a redemption price of 106.061% of the principal amount redeemed, plus accrued and unpaid interest through the date of redemption. On the same date, the indenture governing the Senior Secured Notes was satisfied and discharged. The redemption date was September 5, 2014. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $23.7 million in the consolidated statement of operations for the year ended December 31, 2014 , which was comprised of $4.0 million for the write-off of the unamortized deferred financing fees, a redemption premium of $13.0 million and a make-whole interest payment of $6.7 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.

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

At December 31, 2014 , the outstanding principal amount of 2019 Senior Notes was $503.9 million , excluding $1.3 million in unamortized premium. The 2019 Senior Notes mature on April 1, 2019.

On December 1, 2014, the proceeds from the issuance of the 2024 Senior Notes discussed below, along with cash on hand, were deposited with the trustee to redeem $541.4 million aggregate principal amount of the 2019 Senior Notes at a redemption price of 106.202% of the principal amount redeemed, plus accrued and unpaid interest through the date of redemption. The redemption date was December 31, 2014. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $36.9 million in the consolidated statement of operations for the year ended December 31, 2014 , which was comprised of $4.7 million for the write-off of a portion of the unamortized deferred financing fees, a redemption premium of $23.0 million , and a make-whole interest payment of $10.6 million , partially offset by $1.4 million for the write-off of a portion of the unamortized premium.

On August 5, 2014, the proceeds from the issuance of the 2022 Senior Notes discussed below, along with cash on hand, were deposited with the trustee to redeem $234.7 million aggregate principal amount of the 2019 Senior Notes at a redemption price of 108.764% of the principal amount redeemed, plus accrued and unpaid interest through the date of redemption. The redemption date was September 5, 2014. In connection with this redemption, the Company recorded a loss on extinguishment of long-term debt of $22.1 million in the consolidated statement of operations for the year ended December 31, 2014 , which was comprised of $2.2 million for the write-off of a portion of the unamortized deferred financing fees, a redemption premium of $10.0 million , and a make-whole interest payment of $10.6 million , partially offset by $0.7 million for the write-off of a portion of the unamortized premium.

On March 20, 2014, the Company repurchased and subsequently canceled $25.0 million aggregate principal amount of the 2019 Senior Notes from an affiliate of Providence Equity in a privately negotiated transaction on an arms' length basis at a price of 109.75% of the principal amount. Cash on hand was used to fund the repurchase of $25.0 million aggregate principal amount, $2.4 million of repurchase premium and $1.0 million in accrued and unpaid interest to the date of repurchase. In connection with this repurchase, the Company recorded a loss on extinguishment of long-term debt of $2.7 million in the Company's consolidated statement of operations for the year ended December 31, 2014 . This loss represented $2.4 million in repurchase premium and $0.3 million for the write-off of a portion of the unamortized deferred financing costs related to the 2019 Senior Notes.

CDW LLC and CDW Finance Corporation are the co-issuers of the 2019 Senior Notes. Obligations under the 2019 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 2019 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 2019 Senior Notes do not contain any financial covenants.

6.0% Senior Notes due 2022 ("2022 Senior Notes")

On August 5, 2014, CDW LLC and CDW Finance Corporation, as co-issuers, completed the issuance of $600.0 million aggregate principal amount of 2022 Senior Notes at par. Fees of $8.0 million related to the 2022 Senior Notes were capitalized as deferred financing costs and are being amortized over the term of the notes on a straight-line basis. The 2022 Senior Notes will mature on August 15, 2022 and bear interest at a rate of 6.00% per annum, payable semi-annually on February 15 and August 15 of each year. The first interest payment date was February 15, 2015.

CDW LLC and CDW Finance Corporation are the co-issuers of the 2022 Senior Notes and the obligations under the notes are guaranteed by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. The 2022 Senior Notes 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 enter into sale and lease-back transactions, incur additional secured indebtedness, and create liens. The indenture governing the 2022 Senior Notes does not contain any financial covenants.

5.5% Senior Notes due 2024 ("2024 Senior Notes")

On December 1, 2014, CDW LLC and CDW Finance Corporation, as co-issuers, completed the issuance of $575.0 million aggregate principal amount of 2024 Senior Notes at par. Fees of $7.5 million related to the 2024 Senior Notes were capitalized as deferred financing costs and are being amortized over the term of the notes on a straight-line basis. The 2024 Senior Notes will mature on December 1, 2024 and bear interest at a rate of 5.50% per annum, payable semi-annually on June 1 and December 1 of each year. The first interest payment date will be June 1, 2015.

CDW LLC and CDW Finance Corporation are the co-issuers of the 2024 Senior Notes and the obligations under the notes are guaranteed by Parent and each of CDW LLC's direct and indirect, wholly owned, domestic subsidiaries. The 2024 Senior Notes 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 enter into sale and lease-back transactions, incur additional secured indebtedness, and create liens. The indenture governing the 2024 Senior Notes does not contain any financial covenants.

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

At December 31, 2014 , there were no outstanding Senior Subordinated Notes.

On May 9, 2014, the Company redeemed all of the remaining $42.5 million aggregate principal amount of Senior Subordinated Notes at a redemption price that was 104.178% of the principal amount redeemed. Cash on hand was used to fund the redemption of $42.5 million aggregate principal amount, $1.8 million in redemption premium and $0.4 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 $2.2 million in the consolidated statement of operations for the year ended December 31, 2014 . This loss represented $1.8 million in redemption premium and $0.4 million for the write-off of the remaining deferred financing costs related to the Senior Subordinated Notes.

On January 22, 2014 and February 21, 2014, the Company redeemed $30.0 million and $20.0 million aggregate principal amounts of Senior Subordinated Notes, respectively, at redemption prices that were 104.178% of the principal amounts redeemed. Cash on hand was used to fund the redemptions of $50.0 million aggregate principal amount, $2.1 million in redemption premiums and $1.9 million in aggregate accrued and unpaid interest to the dates of redemption. In connection with these redemptions, the Company recorded a loss on extinguishment of long-term debt of $2.7 million in the consolidated statement of operations for the year ended December 31, 2014 . This loss represented $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 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' 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 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.

Long-Term Debt Maturities

As of December 31, 2014 , the maturities of long-term debt were as follows:

(in millions) Years ending December 31,	
2015	$ 15.4
2016	—
2017	—
2018	—
2019	503.9
Thereafter	2,673.1
	$ 3,192.4

Fair Value

The fair value of the Company's long-term debt instruments at December 31, 2014 was $3,208.7 million . The fair value of the 2019 Senior Notes, the 2022 Senior Notes, and the 2024 Senior Notes was 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 was 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.

At December 31, 2014 , the carrying value of the Company's long-term debt was $3,192.4 million , excluding $1.3 million in unamortized premium and $3.7 million in unamortized discount.

Deferred Financing Costs

The following table summarizes the deferred financing costs activity for the years ended December 31, 2014 and 2013 :

(in millions)	December 31,	
	2014	2013
Beginning balance	$ 30.1	$ 53.2
Additional costs capitalized	21.9	6.1
Recognized in interest expense	(6.4)	(9.1)
Write-off of unamortized deferred financing costs	(12.6)	(20.1)
Ending balance	$ 33.0	$ 30.1

As of December 31, 2014 and December 31, 2013 , the weighted-average remaining life of unamortized deferred financing costs was 6.6 and 4.9 years, respectively.

8. Income Taxes

Income before income taxes was taxed under the following jurisdictions:

(in millions)	Years Ended December 31,		
	2014	2013	2012
Domestic	$ 366.6	$ 179.4	$ 170.3
Foreign	21.1	16.1	15.8
Total	$ 387.7	$ 195.5	$ 186.1

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Current:			
Federal	$ 206.8	$ 96.7	$ 110.3
State	19.3	10.1	8.0
Foreign	5.8	4.6	5.1
Total current	231.9	111.4	123.4
Deferred:			
Domestic	(89.0)	(48.6)	(56.2)
Foreign	(0.1)	(0.1)	(0.1)
Total deferred	(89.1)	(48.7)	(56.3)
Income tax expense	$ 142.8	$ 62.7	$ 67.1

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,					
	2014		2013		2012	
Statutory federal income tax rate	$ 135.7	35.0 %	$ 68.4	35.0 %	$ 65.1	35.0 %
State taxes, net of federal effect	6.5	1.6	(5.0)	(2.6)	0.4	0.2
Equity-based compensation	1.1	0.3	1.5	0.7	5.7	3.1
Effect of rates different than statutory	(1.9)	(0.5)	(1.4)	(0.7)	(1.4)	(0.8)
Other	1.4	0.4	(0.8)	(0.3)	(2.7)	(1.5)
Effective tax rate	$ 142.8	36.8 %	$ 62.7	32.1 %	$ 67.1	36.0 %

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

(in millions)	December 31,	
	2014	2013
Deferred Tax Assets:		
Deferred interest	$ 32.9	$ 43.5
State net operating loss and credit carryforwards, net	18.8	21.1
Payroll and benefits	27.0	16.2
Rent	5.5	6.4
Accounts receivable	6.3	5.4
Equity compensation plans	6.5	1.6
Trade credits	1.5	1.5
Other	5.0	7.1
Total deferred tax assets	103.5	102.8
Deferred Tax Liabilities:		
Software and intangibles	425.3	486.2
Deferred income	116.2	145.5
Property and equipment	22.5	25.0
Other	15.3	11.6
Total deferred tax liabilities	579.3	668.3
Deferred tax asset valuation allowance	—	—
Net deferred tax liability	$ 475.8	$ 565.5

The Company has state income tax net operating loss carryforwards of $124.0 million , which will expire at various dates from 2015 through 2033 and state tax credit carryforwards of $19.6 million , which expire at various dates from 2016 through 2019.

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, 2014 , the Company has not provided for federal income taxes on earnings of approximately $66.6 million from its international subsidiary.

The Company had no unrecognized tax benefits at December 31, 2014, 2013 and 2012 .

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 tax years through 2010 and state, local or foreign taxing authorities for tax years through 2009. 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, 2014, 2013 and 2012 , 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

The Company declared and paid cash dividends per common share during the periods presented as follows:

(in millions, except per share amounts)	Dividends Per Share	Amount
2014:		
First Quarter	$ 0.0425	$ 7.3
Second Quarter	0.0425	7.3
Third Quarter	0.0425	7.3
Fourth Quarter	0.0675	11.7
2013:		
First Quarter	$ —	$ —
Second Quarter	—	—
Third Quarter	—	—
Fourth Quarter	0.0425	7.3

See Note 20 for a discussion of the dividend declared during the first quarter of 2015. Future dividends will be subject to the approval of the Company's Board of Directors and will depend upon the Company’s results of operations, financial condition, business prospects, capital requirements, contractual restrictions, any potential indebtedness the Company may incur, restrictions imposed by applicable law, tax considerations and other factors that the Company’s Board of Directors deems relevant. In addition, the Company’s ability to pay dividends on its common stock will be limited by restrictions on the ability of subsidiaries to pay dividends or make distributions to the Company, in each case, under the terms of certain current and future agreements governing the Company’s indebtedness.

On November 6, 2014, the Company announced that its Board of Directors approved a $500.0 million share repurchase program effective immediately under which the Company may repurchase shares of its common stock in the open market or through privately negotiated transactions, depending on share price, market conditions and other factors. The share repurchase program does not obligate the Company to repurchase any dollar amount or number of shares, and repurchases may be commenced or suspended from time to time without prior notice. As of the date of this filing, no shares have been repurchased under the share repurchase program.

On January 1, 2014, the first offering period under the Company's Coworker Stock Purchase Plan (the “CSPP”) commenced. The CSPP provides the opportunity for eligible coworkers to acquire shares of the Company's common

stock at a 5% discount from the closing market price on the final day of the offering period. There is no compensation expense associated with the CSPP.

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.

The Company has completed the following secondary public offerings, whereby certain selling stockholders sold shares of common stock to the underwriters. The Company did not receive any proceeds from these sales of shares.

Secondary Offering Shares	Completion Date of Secondary Offering	Overallotment Shares [1]	Completion Date of Overallotment Shares	Secondary Offering Expenses (in millions)
15,000,000	11/19/2013	2,250,000	12/18/2013	$ 0.6
10,000,000	3/12/2014	1,500,000	3/12/2014	$ 0.4
15,000,000	5/28/2014	2,250,000	6/4/2014	$ 0.5
15,000,000	9/8/2014 [2]	—	—	$ 0.3
15,000,000	12/8/2014	2,250,000	12/8/2014	$ 0.2

(1) Under each underwriting agreement, the selling stockholders granted the underwriters an option, exercisable for thirty days, to purchase up to the additional amount of shares noted.

(2) The option to purchase additional shares was not exercised in connection with the September 2014 secondary offering.

The following pre-tax IPO-related expenses and secondary-offering-related expenses were included within selling and administrative expenses in the consolidated statements of operations for the years ended December 31, 2014 and 2013, respectively.

(in millions)	Year Ended December 31,	
	2014	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 [4]	1.4	2.4
IPO- and secondary-offering-related expenses	$ 1.4	$ 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.

(4) Other expenses include secondary-offering expenses of $1.4 million and $0.6 million for the years ended December 31, 2014 and 2013, respectively.

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, 2014. Additionally, the amended and restated certificate of incorporation increased the number of authorized common shares to 1,000,000,000 .

10. Equity-Based Compensation

The 2013 Long-Term Incentive Plan ("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. As of December 31, 2014, 7,541,891 shares were available for issuance under the 2013 LTIP which was approved by the Company's pre-IPO shareholders. Authorized but unissued shares are reserved for issuance in connection with equity-based awards.

The following table summarizes equity-based compensation expense, which is included in selling and administrative expenses, for the years ended December 31, 2014, 2013 and 2012 :

(in millions)	Year Ended December 31,		
	2014	2013 [1]	2012 [2]
Equity-based compensation expense	$ 16.4	$ 46.6	$ 22.1
Income tax benefit	(5.1)	(16.5)	(2.3)
Total (net of tax)	$ 11.3	$ 30.1	$ 19.8

(1) Includes pre-tax expense of $36.7 million related to the accelerated vesting of certain equity awards granted prior to our IPO. All unvested awards granted pursuant to the MPK Coworker Incentive Plan II (the "MPK Plan") vested in connection with the IPO as discussed further below in the section labeled "MPK II Units."

(2) Includes pre-tax expense of $6.6 million in connection with the modification of Class B Common Unit awards granted pursuant to the CDW Holdings LLC 2007 Incentive Equity Plan to the Company's former Chief Executive Officer, as discussed further below in the section labeled "Class B Common Units."

The total unrecognized compensation cost related to nonvested awards was $28.9 million at December 31, 2014 and is expected to be recognized over a weighted-average period of 2.3 years.

Stock Options

During the year ended December 31, 2014 , the Company granted 1,245,513 stock options under the 2013 LTIP. These options vest annually over three years and have a contractual term of 10 years. The exercise price of a stock option is equal to the fair value of a share of the Company's common stock on the date of the grant. The Company uses 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 weighted-average assumptions used to value the stock options granted during the years ended December 31, 2014 and 2013 are presented below.

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	Year Ended December 31,	
	2014	2013
Weighted-average grant date fair value	$ 7.23	$ 4.75
Weighted-average volatility [1]	30.00%	35.00%
Weighted-average risk-free rate [2]	1.77%	1.58%
Dividend yield	0.70%	1.00%
Expected term (in years) [3]	6.0	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) 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 summarizes the Company's stock option activity for the year ended December 31, 2014 :

Options	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding at January 1, 2014	1,280,255	$17.00		
Granted	1,245,513	24.40		
Forfeited/Expired	(31,209)	21.33		
Exercised	(73,487)	17.00		
Outstanding at December 31, 2014	2,421,072	$20.75	8.3	$34.9
Exercisable at December 31, 2014	576,963	$17.00	7.2	$10.5
Vested and expected to vest at December 31, 2014	2,378,364	$20.74	8.3	$34.3

The total intrinsic value of stock options exercised during the years ended December 31, 2014 and 2013 was $1.0 million and zero , respectively.

Restricted Stock Units ("RSUs")

Restricted stock units represent the right to receive unrestricted shares of the Company's stock at the time of vesting. RSUs generally cliff-vest at the end of four years.

The following table summarizes the Company's RSU activity for the year ended December 31, 2014 :

	Number of Units	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2014	1,351,572	$ 17.04
Granted	25,895	24.29
Vested/Settled	(5,984)	17.00
Forfeited	(126,781)	17.04
Nonvested at December 31, 2014	1,244,702	$ 17.19

The weighted-average grant date fair value of RSUs granted during the year ended December 31, 2014 and 2013 was $24.29 and $17.03 , respectively. The aggregate fair value of RSUs that vested during the years ended December 31, 2014 and 2013 , was $0.2 million and zero , respectively.

Performance Share Units ("PSUs")

During the year ended December 31, 2014 , the Company granted 417,784 PSUs under the 2013 LTIP which cliff-vest on December 31, 2016. The percentage of shares that shall vest will range from 0% to 200% of the number of PSUs granted based on the Company's performance against a cumulative adjusted free cash flow measure and cumulative non-GAAP net income per diluted share measure over a three-year performance period. The weighted-average grant-date fair value of the PSUs granted during the period was $24.40 per unit. During the year ended December 31, 2014 , 6,204 PSUs were forfeited at a weighted-average grant-date fair value of $24.29 . As of December 31, 2014 , 411,580 PSUs were outstanding at a weighted-average grant date fair value of $24.40 . No units vested during the year ended December 31, 2014.

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, 2014 , 2,321,973 shares of such restricted stock vested/settled and 9,546 shares were forfeited. As of December 31, 2014 , 260,514 shares of restricted stock were outstanding. The aggregate fair value of restricted stock that vested during the years ended December 31, 2014 and 2013 was $68.6 million and $26.7 million , respectively.

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 during the year ended December 31, 2012.

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 and 2012:

	Years Ended December 31,	
Assumptions	2013	2012
Weighted-average grant date fair value	$ 119.00	$ 125.65
Weighted-average volatility [1]	65.50%	65.26%
Weighted-average risk-free rate [2]	0.18%	0.19%
Dividend yield	0.00%	0.00%

(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.

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 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. 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.

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.

The following table sets forth a summary of pre-IPO 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	—	—

(1) As discussed above, the Class B Common Units and MPK Plan Units were converted/settled into shares of the 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.

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 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 accrued $20.9 million related to this arrangement within other current liabilities, as the Company realized the tax benefit of the compensation deductions during the 2013 tax year. The Company made the related cash contribution during the first quarter of 2014.

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 are 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, Coworker Stock Purchase Plan units 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:

	Years Ended December 31,		
(in millions)	2014	2013	2012
Weighted-average shares - basic	170.6	156.6	145.1
Effect of dilutive securities	2.2	2.1	0.7
Weighted-average shares - diluted	172.8	158.7	145.8

There was an insignificant amount of potential common shares excluded from diluted earnings per share for the years ended December 31, 2014, 2013 and 2012, as their inclusion would have had an anti-dilutive effect.

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 could be granted under the RDU Plan was 28,500 . As of December 31, 2014 , 28,500 RDUs were outstanding. RDUs vested 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. All outstanding RDUs were vested as of 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 credited 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.

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 $0.1

million and $1.4 million to the principal component in the years ended December 31, 2014 and 2013, respectively, 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 continued to accrue an interest component credit for the proportionate amount of Senior Subordinated Notes while 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, 2014 of approximately $5 million is expected to be recognized through 2015 and approximately $3 million in 2016 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 $8.8 million , $16.8 million , and $8.4 million related to the RDU Plan was recognized in the years ended December 31, 2014, 2013 and 2012 , respectively. At December 31, 2014 and 2013 , the Company had $30.4 million and $21.8 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, 2014, 2013 and 2012 , the amounts charged to expense for this plan totaled $21.9 million , $17.3 million and $14.6 million , respectively.

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, group purchasing organizations and 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, 2014, 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.

15. Equity Investments

On November 10, 2014 , the Company acquired a 35% non-controlling interest in Kelway, a UK-based IT solutions provider, which has global supply chain relationships that enable it to conduct business in over 100 countries. The Company paid $86.8 million to acquire its ownership interest in Kelway, with the option to purchase the remaining 65% between June 2015 and June 2017. The Company accounts for its investment in Kelway using the equity method. As of December 31, 2014 , the amount assigned to goodwill and definite-lived intangible assets related to the

Company's 35% non-controlling equity investment in Kelway was $119.2 million , which represented the excess of the purchase price plus liabilities assumed less tangible assets acquired.

16. 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 and $5.0 million in the years ended December 31, 2013 and 2012, respectively. There was no management fee paid for the year ended December 31, 2014.

On March 20, 2014, the Company repurchased and subsequently canceled $25.0 million aggregate principal amount of the 2019 Senior Notes from an affiliate of Providence Equity. See Note 7 for additional information related to this transaction.

17. 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 three other operating segments, CDW Advanced Services, Canada and Kelway, which do not meet the reportable segment quantitative thresholds and, accordingly, are combined together as “Other.” In November 2014, the Company acquired a 35% non-controlling equity interest in Kelway. See Note 15 for additional information on Kelway.

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.

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.

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Selected Segment Financial Information

The following table presents information about the Company's segments for the years ended December 31, 2014, 2013 and 2012 :

(in millions)	Corporate	Public	Other	Headquarters	Total
2014:					
Net sales	$ 6,475.5	$ 4,879.4	$ 719.6	$ —	$ 12,074.5
Income (loss) from operations	439.8	313.2	32.9	(112.9)	673.0
Depreciation and amortization expense	(96.3)	(43.8)	(8.8)	(59.0)	(207.9)
2013:					
Net sales	$ 5,960.1	$ 4,164.5	$ 644.0	$ —	$ 10,768.6
Income (loss) from operations [1]	363.3	246.5	27.2	(128.4)	508.6
Depreciation and amortization expense	(97.3)	(44.0)	(8.6)	(58.3)	(208.2)
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)

(1) Includes $75.0 million of IPO- and secondary-offering related expenses, as follows: Corporate $26.4 million ; Public $14.4 million ; Other $3.6 million ; and Headquarters $30.6 million .

Major Customers, Geographic Areas, and Product Mix

Net sales to the federal government were $884.2 million , $764.4 million and $964.7 million and accounted for approximately 7% , 7% and 10% of total net sales in 2014, 2013 and 2012, respectively. Net sales to customers outside of the U.S., primarily in Canada, were approximately 4% of the Company's total net sales in 2014, 2013 and 2012. Approximately 1% of the Company's long-lived assets were located outside of the U.S. as of December 31, 2014 and 2013.

The following table presents net sales by major category for the years ended December 31, 2014, 2013 and 2012 . Categories are based upon internal classifications. Amounts for the years ended December 31, 2013 and 2012 have been reclassified for certain changes in individual product classifications to conform to the presentation for the year ended December 31, 2014 .

	Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	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	$ 2,352.3	19.5%	$ 1,698.4	15.8%	$ 1,462.8	14.4%
NetComm Products	1,615.9	13.4	1,486.3	13.8	1,351.5	13.3
Enterprise and Data Storage (Including Drives)	1,024.3	8.5	999.2	9.3	981.5	9.7
Other Hardware	4,549.2	37.6	4,178.5	38.8	4,075.7	40.3
Software	2,076.7	17.2	1,993.1	18.5	1,877.7	18.5
Services	371.4	3.1	332.7	3.1	285.0	2.8
Other [1]	84.7	0.7	80.4	0.7	94.0	1.0
Total net sales	$ 12,074.5	100.0%	$ 10,768.6	100.0%	$ 10,128.2	100.0%

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

18. Supplemental Guarantor Information

The 2019 Senior Notes, the 2022 Senior Notes, and the 2024 Senior Notes are, and, prior to being redeemed in full, the Senior Subordinated Notes and the Senior Secured Notes, were 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 and were joint and several, and full and unconditional; provided that guarantees by the Guarantor Subsidiaries (i) are subject to certain customary release provisions contained in the indentures governing the 2019 Senior Notes, the 2022 Senior Notes, and the 2024 Senior Notes, and (ii) were subject to certain customary release provisions contained in the indentures governing the Senior Subordinated Notes and the Senior Secured Notes until such indentures were satisfied and discharged in 2014. 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.

On May 9, 2014, all of the remaining $42.5 million aggregate principal amount of Senior Subordinated Notes was redeemed in full and the indenture governing the Senior Subordinated Notes was satisfied and discharged. See Note 7 for more information.

On August 5, 2014, CDW LLC and CDW Finance Corporation, as co-issuers, completed the issuance of $600.0 million aggregate principal amount of 2022 Senior Notes, which is guaranteed by Parent and the Guarantor Subsidiaries. The proceeds from this issuance, along with cash on hand, were used to redeem all of the remaining $325.0 million aggregate principal amount of the Senior Secured Notes and to redeem $234.7 million aggregate principal amount of the 2019 Senior Notes. The indenture governing the Senior Secured Notes was concurrently satisfied and discharged. See Note 7 for more information.

On December 1, 2014, CDW LLC and CDW Finance Corporation, as co-issuers, completed the issuance of $575.0 million aggregate principal amount of 2024 Senior Notes, which is guaranteed by Parent and the Guarantor Subsidiaries. The proceeds from this issuance, along with cash on hand, were used to redeem $541.4 million aggregate principal amount of the 8.5% Senior Notes. See Note 7 for more information.

The following tables set forth condensed consolidating balance sheets as of December 31, 2014 and 2013 , consolidating statements of operations for the years ended December 31, 2014, 2013 and 2012 , condensed consolidating statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012 , and condensed consolidating statements of cash flows for the years ended December 31, 2014, 2013 and 2012 , 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.

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Balance Sheet

(in millions)	December 31, 2014						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	$ —	$ 346.4	$ —	$ 24.6	$ —	$ (26.5)	$ 344.5
Accounts receivable, net	—	—	1,479.1	82.0	—	—	1,561.1
Merchandise inventory	—	—	333.9	3.6	—	—	337.5
Miscellaneous receivables	—	56.1	93.3	6.2	—	—	155.6
Prepaid expenses and other	—	11.0	46.0	1.5	—	(3.8)	54.7
Total current assets	—	413.5	1,952.3	117.9	—	(30.3)	2,453.4
Property and equipment, net	—	80.5	55.5	1.2	—	—	137.2
Equity investments	—	86.7	—	—	—	—	86.7
Goodwill	—	751.8	1,439.0	26.8	—	—	2,217.6
Other intangible assets, net	—	320.0	843.6	5.2	—	—	1,168.8
Deferred financing costs, net	—	33.0	—	—	—	—	33.0
Other assets	4.3	3.2	0.4	1.4	—	(6.1)	3.2
Investment in and advances to subsidiaries	932.2	2,784.5	—	—	—	(3,716.7)	—
Total assets	$ 936.5	$ 4,473.2	$ 4,290.8	$ 152.5	$ —	$ (3,753.1)	$ 6,099.9
Liabilities and Shareholders' Equity							
Current liabilities:							
Accounts payable-trade	$ —	$ 23.9	$ 671.9	$ 34.7	$ —	$ (26.5)	$ 704.0
Accounts payable-inventory financing	—	—	332.1	—	—	—	332.1
Current maturities of long-term debt	—	15.4	—	—	—	—	15.4
Deferred revenue	—	—	79.9	1.4	—	—	81.3
Accrued expenses	—	137.8	193.6	7.9	—	(4.1)	335.2
Total current liabilities	—	177.1	1,277.5	44.0	—	(30.6)	1,468.0
Long-term liabilities:							
Debt	—	3,174.6	—	—	—	—	3,174.6
Deferred income taxes	—	146.7	331.3	1.3	—	(4.3)	475.0
Other liabilities	—	42.6	3.7	1.0	—	(1.5)	45.8
Total long-term liabilities	—	3,363.9	335.0	2.3	—	(5.8)	3,695.4
Total shareholders' equity	936.5	932.2	2,678.3	106.2	—	(3,716.7)	936.5
Total liabilities and shareholders' equity	$ 936.5	$ 4,473.2	$ 4,290.8	$ 152.5	$ —	$ (3,753.1)	$ 6,099.9

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Balance Sheet

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
	December 31, 2013						
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

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

(in millions)	Year Ended December 31, 2014						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$ —	$ —	$ 11,542.3	$ 532.2	$ —	$ —	$ 12,074.5
Cost of sales	—	—	9,684.9	468.3	—	—	10,153.2
Gross profit	—	—	1,857.4	63.9	—	—	1,921.3
Selling and administrative expenses	—	112.8	962.3	35.2	—	—	1,110.3
Advertising expense	—	—	134.0	4.0	—	—	138.0
(Loss) income from operations	—	(112.8)	761.1	24.7	—	—	673.0
Interest (expense) income, net	—	(197.7)	0.1	0.3	—	—	(197.3)
Net loss on extinguishments of long-term debt	—	(90.7)	—	—	—	—	(90.7)
Management fee	—	3.9	—	(3.9)	—	—	—
Other income, net	—	1.2	1.5	—	—	—	2.7
(Loss) income before income taxes	—	(396.1)	762.7	21.1	—	—	387.7
Income tax benefit (expense)	—	141.0	(278.1)	(5.7)	—	—	(142.8)
(Loss) income before equity in earnings of subsidiaries	—	(255.1)	484.6	15.4	—	—	244.9
Equity in earnings of subsidiaries	244.9	500.0	—	—	—	(744.9)	—
Net income	$ 244.9	$ 244.9	$ 484.6	$ 15.4	$ —	$ (744.9)	$ 244.9

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

(in millions)	Year Ended December 31, 2013						
	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	—	—	126.8	4.0	—	—	130.8
(Loss) income from operations	(24.4)	(103.9)	617.1	19.8	—	—	508.6
Interest (expense) income, net	—	(250.6)	0.2	0.3	—	—	(250.1)
Net loss on extinguishments of long-term debt	—	(64.0)	—	—	—	—	(64.0)
Management fee	—	4.3	—	(4.3)	—	—	—
Other (expense) income, net	—	(0.5)	1.2	0.3	—	—	1.0
(Loss) income before income taxes	(24.4)	(414.7)	618.5	16.1	—	—	195.5
Income tax benefit (expense)	9.2	142.2	(209.5)	(4.6)	—	—	(62.7)
(Loss) income before equity in earnings of subsidiaries	(15.2)	(272.5)	409.0	11.5	—	—	132.8
Equity in earnings of subsidiaries	148.0	420.5	—	—	—	(568.5)	—
Net income	$ 132.8	$ 148.0	$ 409.0	$ 11.5	$ —	$ (568.5)	$ 132.8

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidating Statement of Operations

Year Ended December 31, 2012

(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net sales	$ —	$ —	$ 9,683.0	$ 445.2	$ —	$ —	$ 10,128.2
Cost of sales	—	—	8,071.5	387.1	—	—	8,458.6
Gross profit	—	—	1,611.5	58.1	—	—	1,669.6
Selling and administrative expenses	—	103.7	891.6	34.2	—	—	1,029.5
Advertising expense	—	—	125.1	4.4	—	—	129.5
(Loss) income from operations	—	(103.7)	594.8	19.5	—	—	510.6
Interest (expense) income, net	—	(308.0)	0.4	0.2	—	—	(307.4)
Net loss on extinguishments of long-term debt	—	(17.2)	—	—	—	—	(17.2)
Management fee	—	3.8	—	(3.8)	—	—	—
Other income (expense), net	—	—	0.2	(0.1)	—	—	0.1
(Loss) income before income taxes	—	(425.1)	595.4	15.8	—	—	186.1
Income tax benefit (expense)	—	210.6	(272.6)	(5.1)	—	—	(67.1)
(Loss) income before equity in earnings of subsidiaries	—	(214.5)	322.8	10.7	—	—	119.0
Equity in earnings of subsidiaries	119.0	333.5	—	—	—	(452.5)	—
Net income	$ 119.0	$ 119.0	$ 322.8	$ 10.7	$ —	$ (452.5)	$ 119.0

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income

	Year Ended December 31, 2014						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 234.6	$ 234.6	$ 484.6	$ 5.1	$ —	$ (724.3)	$ 234.6

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income

(in millions)	Year Ended December 31, 2013						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 126.1	$ 141.3	$ 409.0	$ 4.8	$ —	$ (555.1)	$ 126.1

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Comprehensive Income

(in millions)	Year Ended December 31, 2012						
	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Comprehensive income	$ 121.5	$ 121.5	$ 322.8	$ 13.2	$ —	$ (457.5)	$ 121.5

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2014						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$ —	$ (120.4)	$ 547.7	$ 11.8	$ —	$ (4.1)	$ 435.0
Cash flows from investing activities:							
Capital expenditures	—	(47.9)	(7.1)	—	—	—	(55.0)
Payment for equity investments	—	(86.8)	—	—	—	—	(86.8)
Payment of accrued charitable contribution related to the MPK Coworker Incentive Plan II	—	(20.9)	—	—	—	—	(20.9)
Premium payments on interest rate cap agreements	—	(2.1)	—	—	—	—	(2.1)
Net cash used in investing activities	—	(157.7)	(7.1)	—	—	—	(164.8)
Cash flows from financing activities:							
Repayments of long-term debt	—	(15.4)	—	—	—	—	(15.4)
Proceeds from issuance of long-term debt	—	1,175.0	—	—	—	—	1,175.0
Payments to extinguish long-term debt	—	(1,299.0)	—	—	—	—	(1,299.0)
Payment of debt financing costs	—	(21.9)	—	—	—	—	(21.9)
Net change in accounts payable-inventory financing	—	—	75.5	—	—	—	75.5
Proceeds from stock option exercises	—	1.3	—	—	—	—	1.3
Proceeds from Coworker stock purchase plan	—	5.8	—	—	—	—	5.8
Dividends paid	(33.6)	—	—	—	—	—	(33.6)
Excess tax benefits from equity-based compensation	—	0.3	—	—	—	—	0.3
Advances to/from affiliates	33.6	581.9	(616.1)	0.6	—	—	—
Net cash provided by (used in) financing activities	—	428.0	(540.6)	0.6	—	—	(112.0)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(1.8)	—	—	(1.8)
Net increase in cash and cash equivalents	—	149.9	—	10.6	—	(4.1)	156.4
Cash and cash equivalents – beginning of period	—	196.5	—	14.0	—	(22.4)	188.1
Cash and cash equivalents – end of period	$ —	$ 346.4	$ —	$ 24.6	$ —	$ (26.5)	$ 344.5

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2013						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$ (15.2)	$ (130.3)	$ 508.8	$ 5.5	$ —	$ (2.5)	$ 366.3
Cash flows from investing activities:							
Capital expenditures	—	(40.8)	(6.2)	(0.1)	—	—	(47.1)
Net cash used in investing activities	—	(40.8)	(6.2)	(0.1)	—	—	(47.1)
Cash flows from financing activities:							
Proceeds from borrowings under revolving credit facility	—	63.0	—	—	—	—	63.0
Repayments of borrowings under revolving credit facility	—	(63.0)	—	—	—	—	(63.0)
Repayments of long-term debt	—	(51.1)	—	—	—	—	(51.1)
Proceeds from issuance of long-term debt	—	1,535.2	—	—	—	—	1,535.2
Payments to extinguish long-term debt	—	(2,047.4)	—	—	—	—	(2,047.4)
Payment of debt financing costs	—	(6.1)	—	—	—	—	(6.1)
Net change in accounts payable-inventory financing	—	—	7.4	—	—	—	7.4
Payment of incentive compensation plan withholding taxes	—	(4.0)	(19.6)	(0.5)	—	—	(24.1)
Net proceeds from issuance of common shares	424.7	—	—	—	—	—	424.7
Dividends paid	(7.3)	—	—	—	—	—	(7.3)
Advances to/from affiliates	(402.2)	892.6	(490.4)	—	—	—	—
Other financing activities	—	0.4	—	—	—	—	0.4
Net cash provided by (used in) financing activities	15.2	319.6	(502.6)	(0.5)	—	—	(168.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(0.7)	—	—	(0.7)
Net increase in cash and cash equivalents	—	148.5	—	4.2	—	(2.5)	150.2
Cash and cash equivalents – beginning of period	—	48.0	—	9.8	—	(19.9)	37.9
Cash and cash equivalents – end of period	$ —	$ 196.5	$ —	$ 14.0	$ —	$ (22.4)	$ 188.1

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidating Statement of Cash Flows

	Year Ended December 31, 2012						
(in millions)	Parent Guarantor	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Co-Issuer	Consolidating Adjustments	Consolidated
Net cash (used in) provided by operating activities	$ —	$ (204.3)	$ 514.2	$ 1.3	$ —	$ 6.2	$ 317.4
Cash flows from investing activities:							
Capital expenditures	—	(27.0)	(14.0)	(0.4)	—	—	(41.4)
Premium payments on interest rate cap agreements	—	(0.3)	—	—	—	—	(0.3)
Net cash used in investing activities	—	(27.3)	(14.0)	(0.4)	—	—	(41.7)
Cash flows from financing activities:							
Proceeds from borrowings under revolving credit facility	—	289.0	—	—	—	—	289.0
Repayments of borrowings under revolving credit facility	—	(289.0)	—	—	—	—	(289.0)
Repayments of long-term debt	—	(201.0)	—	—	—	—	(201.0)
Proceeds from issuance of long-term debt	—	135.7	—	—	—	—	135.7
Payments to extinguish long-term debt	—	(243.2)	—	—	—	—	(243.2)
Payment of debt financing costs	—	(2.1)	—	—	—	—	(2.1)
Net change in accounts payable-inventory financing	—	—	(29.5)	—	—	—	(29.5)
Advances to/from affiliates	—	486.0	(486.5)	0.5	—	—	—
Other financing activities	—	2.1	—	—	—	—	2.1
Net cash provided by (used in) financing activities	—	177.5	(516.0)	0.5	—	—	(338.0)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.3	—	—	0.3
Net (decrease) increase in cash and cash equivalents	—	(54.1)	(15.8)	1.7	—	6.2	(62.0)
Cash and cash equivalents – beginning of period	—	102.1	15.8	8.1	—	(26.1)	99.9
Cash and cash equivalents – end of period	$ —	$ 48.0	$ —	$ 9.8	$ —	$ (19.9)	$ 37.9

CDW CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Selected Quarterly Financial Results (unaudited)

(in millions, except per-share amounts)	2014			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales Detail:				
Corporate:				
Medium/Large	$ 1,274.8	$ 1,395.4	$ 1,374.8	$ 1,440.3
Small Business	230.8	260.8	247.9	250.7
Total Corporate	1,505.6	1,656.2	1,622.7	1,691.0
Public:				
Government	254.2	313.1	441.3	440.8
Education	321.6	527.0	632.8	342.6
Healthcare	394.1	431.5	394.7	385.7
Total Public	969.9	1,271.6	1,468.8	1,169.1
Other	176.8	178.2	174.6	190.0
Net sales	$ 2,652.3	$ 3,106.0	$ 3,266.1	$ 3,050.1
Gross profit	$ 425.2	$ 496.9	$ 507.3	$ 491.9
Income from operations	135.8	188.2	184.7	164.3
Net income	50.9	86.6	55.6	51.8
Net income per common share [1]:				
Basic	0.30	0.51	0.33	$ 0.30
Diluted	0.30	0.50	0.32	$ 0.30

(in millions, except per-share amounts)	2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales Detail:				
Corporate:				
Medium/Large [2]	$ 1,180.5	$ 1,308.5	$ 1,241.3	$ 1,322.3
Small Business [2]	223.4	228.9	224.5	230.7
Total Corporate	1,403.9	1,537.4	1,465.8	1,553.0
Public:				
Government	252.3	295.7	375.3	327.3
Education	232.2	420.6	513.4	282.8
Healthcare	362.3	366.3	355.9	380.4
Total Public	846.8	1,082.6	1,244.6	990.5
Other	161.0	159.3	153.9	169.8
Net sales	$ 2,411.7	$ 2,779.3	$ 2,864.3	$ 2,713.3
Gross profit	$ 402.0	$ 451.6	$ 458.4	$ 448.3
Income from operations [3]	120.1	153.6	92.9	142.0
Net income (loss) [3]	28.3	46.7	(2.2)	60.0
Net income (loss) per common share [1][3]:				
Basic	0.19	0.32	(0.01)	0.35
Diluted	0.19	0.32	(0.01)	0.35

(1) Basic and diluted net income (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted net income (loss) per share.

(2) Net sales for the corporate channels (medium/large and small business) have been restated for all periods presented above to conform with the new corporate hierarchy presented for first quarter of 2014.

(3) The third quarter of 2013 included pre-tax IPO-related charges of $74.1 million . See Note 9 for additional discussion of the IPO.

20. Subsequent Events

During the first quarter of 2015, the Company entered into six interest rate cap agreements with a combined notional amount of $400.0 million . Under the agreements, the Company made premium payments totaling $0.5 million to the counterparties in exchange for the right to receive payments equal to the amount, if any, by which three-month LIBOR exceeds 2.0% during the agreement period. The interest rate cap agreements are effective from January 14, 2015 through January 14, 2017.

On February 10, 2015, the Company announced that its board of directors declared a cash dividend on the Company's common stock of $0.0675 per share. The dividend will be paid on March 10, 2015 to all stockholders of record as of the close of business on February 25, 2015. Future dividends will be subject to the approval of the Company's board of directors.

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2014, 2013 and 2012

(in millions)	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts:				
Year Ended December 31, 2014	$ 5.4	$ 5.4	$ (5.1)	$ 5.7
Year Ended December 31, 2013	5.4	2.8	(2.8)	5.4
Year Ended December 31, 2012	5.4	3.9	(3.9)	5.4
Reserve for sales returns:				
Year Ended December 31, 2014	$ 5.1	$ 36.2	$ (36.2)	$ 5.1
Year Ended December 31, 2013	4.4	35.0	(34.3)	5.1
Year Ended December 31, 2012	4.5	33.2	(33.3)	4.4

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing, and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, and that information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. Management based this assessment on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control — Integrated Framework (2013 framework)."

Based on its assessment, management concluded that, as of December 31, 2014, the Company's internal control over financial reporting is effective.

Ernst & Young LLP, independent registered public accounting firm, has audited the consolidated financial statements of the Company and the Company's internal control over financial reporting and has included their reports herein.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
CDW Corporation

We have audited CDW Corporation and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). CDW Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, CDW Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CDW Corporation and subsidiaries as of December 31, 2014 and 2013, 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, 2014 of CDW Corporation and subsidiaries and our report dated February 26, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 26, 2015

Item 9B. Other Information

None.

PART III

Item 10. Directors, Managers, Executive Officers and Corporate Governance

We have adopted The CDW Way Code, our code of business conduct and ethics, that is applicable to all of our coworkers. Additionally, within The CDW Way Code is a Financial Integrity Code of Ethics that sets forth an even higher standard applicable to our executives, officers, members of our internal disclosure committee and all managers and above in our finance department. A copy of this code is available on our corporate website at www.cdw.com . If we make any substantive amendments to this code or grant any waiver from a provision to our chief executive officer, principal financial officer or principal accounting officer, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K.

See Part I - “Executive Officers” for information about our executive officers, which is incorporated by reference in this Item 10. Other information required under this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2015 annual meeting of stockholders on May 13, 2015 (“2015 proxy statement”), which we will file with the SEC on or before 120 days after our 2014 fiscal year-end.

Item 11. Executive Compensation

Information required under this Item 11 is incorporated herein by reference to the 2015 proxy statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required under this Item 12 is incorporated herein by reference to the 2015 proxy statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required under this Item 13 is incorporated herein by reference to the 2015 proxy statement.

Item 14. Principal Accountant Fees and Services

Information required under this Item 14 is incorporated herein by reference to the 2015 proxy statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Financial Statements and Schedules

The following documents are filed as part of this report:

(1) Consolidated Financial Statements:

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Report of Independent Registered Public Accounting Firm	59
Consolidated Balance Sheets as of December 31, 2014 and 2013	60
Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012	61
Consolidated Statements of Comprehensive Income for the years ended December 31, 2014, 2013 and 2012	62
Consolidated Statements of Shareholders' Equity (Deficit) for the years ended December 31, 2014, 2013 and 2012	63
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012	64
Notes to Consolidated Financial Statements	65

(2) Financial Statement Schedules:

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Schedule II – Valuation and Qualifying Accounts	106

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 or notes thereto.

(b) Exhibits

The information required by this Item is set forth on the exhibit index that follows the signature page of this report.

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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 CORPORATION

Date: February 26, 2015

By: /s/ Thomas E. Richards
Thomas E. Richards
Chairman, President and Chief Executive Officer

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.

Signature	Title	Date
/s/ Thomas E. Richards Thomas E. Richards	Chairman, President and Chief Executive Officer (principal executive officer) and Director	February 26, 2015
/s/ Ann E. Ziegler Ann E. Ziegler	Senior Vice President and Chief Financial Officer (principal financial officer)	February 26, 2015
/s/ Virginia L. Seggerman Virginia L. Seggerman	Vice President and Controller (principal accounting officer)	February 26, 2015
/s/ Steven W. Alesio Steven W. Alesio	Director	February 26, 2015
/s/ Barry K. Allen Barry K. Allen	Director	February 26, 2015
/s/ Benjamin D. Chereskin Benjamin D. Chereskin	Director	February 26, 2015
/s/ Glenn M. Creamer Glenn M. Creamer	Director	February 26, 2015
/s/ Michael J. Dominguez Michael J. Dominguez	Director	February 26, 2015
/s/ Paul J. Finnegan Paul J. Finnegan	Director	February 26, 2015
/s/ David W. Nelms David W. Nelms	Director	February 26, 2015
/s/ Robin P. Selati Robin P. Selati	Director	February 26, 2015
/s/ Donna F. Zarcone Donna F. Zarcone	Director	February 26, 2015

EXHIBIT INDEX

Exhibit Number	Description
3.1	Fifth Amended and Restated Certificate of Incorporation of CDW Corporation, previously filed as Exhibit 3.1 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
3.2	Amended and Restated By-Laws of CDW Corporation, previously filed as Exhibit 3.2 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
3.3	Articles of Organization of CDW LLC, previously filed as Exhibit 3.3 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.4	Amended and Restated Limited Liability Company Agreement of CDW LLC, previously filed as Exhibit 3.4 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.5	Certificate of Incorporation of CDW Finance Corporation, previously filed as Exhibit 3.5 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.6	By-Laws of CDW Finance Corporation, previously filed as Exhibit 3.6 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.7	Amended and Restated Articles of Incorporation of CDW Technologies, Inc., previously filed as Exhibit 3.7 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.8	Amended and Restated By-Laws of CDW Technologies, Inc., previously filed as Exhibit 3.8 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.9	Articles of Organization of CDW Direct, LLC, previously filed as Exhibit 3.9 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.10	Amended and Restated Limited Liability Company Agreement of CDW Direct, LLC, previously filed as Exhibit 3.10 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.11	Articles of Organization of CDW Government LLC, previously filed as Exhibit 3.11 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.12	Amended and Restated Limited Liability Company Agreement of CDW Government LLC, previously filed as Exhibit 3.12

	with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
3.13	Articles of Incorporation of CDW Logistics, Inc., previously filed as Exhibit 3.14 with CDW Corporation's Form S-3 filed on July 31, 2014 (Reg. No. 333-197744) and incorporated herein by reference.
3.14	By-Laws of CDW Logistics, Inc., previously filed as Exhibit 3.14 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
4.1	Specimen Common Stock Certificate, previously filed as Exhibit 4.1 with CDW Corporation’s Amendment No. 3 to Form S-1 filed on June 25, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
4.2	Indenture, dated as of August 5, 2014, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association, as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on August 6, 2014 and incorporated herein by reference.

Exhibit Number	Description
4.3	Form of 6% Senior Note (included as Exhibit A to Exhibit 4.1), previously filed as Exhibit 4.2 with CDW Corporation's Form 8-K filed on August 6, 2014 and incorporated herein by reference.
4.4	Senior Note Indenture, dated as of April 13, 2011, between CDW Escrow Corporation and U.S. Bank National Association as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on April 14, 2011 and incorporated herein by reference.
4.5	Senior Note Supplemental Indenture, dated as of April 13, 2011, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.2 with CDW Corporation's Form 8-K filed on April 14, 2011 and incorporated herein by reference. \
4.6	Second Senior Note Supplemental Indenture, dated as of May 20, 2011, by and among CDW LLC, CDW Finance Corporation, CDW Escrow Corporation, the guarantors party thereto and U.S. Bank National Association as Trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on May 23, 2011 and incorporated herein by reference.
4.7	Third Senior Note Supplemental Indenture, dated as of February 17, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as Trustee, previously filed as Exhibit 4.5 with CDW Corporation's Form 8-K filed on February 17, 2012 and incorporated herein by reference.
4.8	Fourth Senior Note Supplemental Indenture, dated as of May 10, 2012, by and among CDW LLC, CDW Finance Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.3 with CDW Corporation's Form 8-K filed on May 11, 2012 and incorporated herein by reference.
4.9	Form of Senior Note (included as Exhibit A to Exhibit 4.5), previously filed as Exhibit 4.3 with CDW Corporation's Form 8-K filed on April 14, 2011 and incorporated herein by reference.
4.10	Base Indenture, dated as of December 1, 2014, by and among CDW LLC, CDW Finance Corporation, CDW Corporation, the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.1 with CDW Corporation's Form 8-K filed on December 1, 2014 and incorporated herein by reference.
4.11	Supplemental Indenture, dated as of December 1, 2014, by and among CDW LLC, CDW Finance Corporation, CDW Corporation the guarantors party thereto and U.S. Bank National Association as trustee, previously filed as Exhibit 4.2 with CDW Corporation's Form 8-K filed on December 1, 2014 and incorporated herein by reference.

4.12	Form of 5.5% Senior Note (included as Exhibit B to Exhibit 4.12), previously filed as Exhibit 4.3 with CDW Corporation's Form 8-K filed on December 1, 2014 and incorporated herein by reference.
10.1	Amended and Restated Revolving Loan Credit Agreement, dated as of June 6, 2014, by and among CDW LLC, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, GE Commercial Distribution Finance Corporation, as floorplan funding agent, and the joint lead arrangers, joint bookrunners, co-collateral agents, co-syndication agents and co-documentation agents party thereto, previously filed as Exhibit 10.1 with CDW Corporation's Form 8-K filed on June 9, 2014 (Reg. No. 333-197744) and incorporated herein by reference.
10.2	Term Loan Agreement, dated as of April 29, 2013, by and among CDW LLC, the lenders from time to time party thereto, Barclays Bank PLC, as administrative agent and collateral agent, and the joint lead arrangers, joint bookrunners, co-syndication agents and co-documentation agents party thereto, previously filed as Exhibit 10.1 with CDW Corporation’s Form 8-K filed on May 1, 2013 and incorporated herein by reference.
10.3	First Amendment to Term Loan Agreement, dated as of May 30, 2013, by and among CDW LLC, the lenders from time to time party thereto, and Barclays Bank PLC, as administrative agent and collateral agent, previously filed as Exhibit 10.3 with CDW Corporation’s Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.4	Incremental Amendment, dated as of July 31, 2013, by and among CDW LLC, the lenders party thereto and Barclays Bank PLC, as administrative agent, previously filed as Exhibit 10.1 with CDW Corporation’s Form 8-K filed on August 1, 2013 and incorporated herein by reference.

Exhibit Number	Description
10.5	Third Amendment to the Term Loan Agreement, dated as of September 12, 2013, by and among CDW LLC, the lenders from time to time party thereto and Barclays Bank PLC, as administrative agent and collateral agent, previously filed as Exhibit 10.2 with CDW Corporation's Form 10-Q filed on November 7, 2013 and incorporated herein by reference.
10.6	Second Amended and Restated Guarantee and Collateral Agreement, dated April 29, 2013, by and among CDW LLC, the guarantors party thereto and Barclays Bank PLC, as collateral agent, previously filed as Exhibit 10.2 with CDW Corporation’s Form 8-K filed on May 1, 2013 and incorporated herein by reference.
10.7	Management Services Agreement, dated as of October 12, 2007, by and between CDW Corporation, Madison Dearborn Partners V-B, L.P. and Providence Equity Partners L.L.C., previously filed as Exhibit 10.9 with CDW Corporation’s Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.8	Termination Agreement, dated as of June 12, 2013, by and among CDW Corporation, Madison Dearborn Partners V-B, L.P. and Providence Equity Partners L.L.C., previously filed as Exhibit 10.6 with CDW Corporation’s Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.9	Registration Agreement, dated as of October 12, 2007, by and among VH Holdings, Inc., CDW Holdings LLC, Madison Dearborn Capital Partners V-A, L.P., Madison Dearborn Capital Partners V-C, L.P., Madison Dearborn Partners V Executive-A, L.P., Providence Equity Partners VI L.P., Providence Equity Partners VI-A L.P., and the other securityholders party thereto, previously filed as Exhibit 10.10 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.10	Withdrawal from Registration Agreement, dated as of November 12, 2013, by and between CDW Corporation and Paul S. Shain, previously filed as Exhibit 10.10 with CDW Corporation’s Form 10-K filed on March 5, 2014 and incorporated herein by reference.
10.11	Withdrawal from Registration Agreement, dated as of November 20, 2013, by and among CDW Corporation, James R. Shanks and BOS Holdings, LLC, previously filed as Exhibit 10.11 with CDW Corporation’s Form 10-K filed on March 5, 2014 and incorporated herein by reference.
10.12	Withdrawal from Registration Agreement, dated as of August 27, 2014, by and between CDW Corporation, John A. Edwardson and Whispering Pines Capital LLC , previously filed as Exhibit 10.1 with CDW Corporation’s Form 10-Q filed on November 12, 2014 and incorporated herein by reference.
10.13§	Amended and Restated Compensation Protection Agreement, dated as of March 24, 2014, by and among CDW Corporation, CDW LLC and Thomas E. Richards, previously filed as Exhibit 10.1 with CDW Corporation's Form 8-K filed on March 28, 2014 and incorporated herein by reference.
10.14§	Form of Compensation Protection Agreement (executive officers other than Thomas E. Richards), previously filed as Exhibit

	10.2 with CDW Corporation's Form 8-K filed on March 28, 2014 and incorporated herein by reference.
10.15§	Form of Noncompetition Agreement under the Compensation Protection Agreement, previously filed as Exhibit 10.3 with CDW Corporation's Form 8-K filed on March 28, 2014 and incorporated herein by reference.
10.16§	Letter Agreement, dated as of September 13, 2011, by and between CDW Direct, LLC and Christina M. Corley, previously filed as Exhibit 10.31 with CDW Corporation's Form 10-K filed on March 9, 2012 and incorporated herein by reference.
10.17§	Form of Indemnification Agreement by and between CDW Corporation and its directors and officers, previously filed as Exhibit 10.32 with CDW Corporation’s Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.18	Stockholders Agreement, dated as of June 10, 2013, by and among CDW Corporation, Madison Dearborn Capital Partners V-A, L.P., Madison Dearborn Capital Partners V-C, L.P., Madison Dearborn Capital Partners V Executive-A, L.P., Providence Equity Partners VI L.P., Providence Equity Partners VI-A L.P. and the other securityholders party thereto, previously filed as Exhibit 10.33 with CDW Corporation’s Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.

Exhibit Number	Description
10.19§	CDW Corporation 2013 Senior Management Incentive Plan, previously filed as Exhibit 10.34 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.20§	CDW Corporation 2013 Long-Term Incentive Plan, previously filed as Exhibit 10.35 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.21§	CDW Corporation Coworker Stock Purchase Plan, previously filed as Exhibit 10.36 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.22§	Form of CDW Corporation Option Award Notice and Stock Option Agreement (executed by Thomas E. Richards), previously filed as Exhibit 10.37 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.23§	Form of CDW Corporation Option Award Notice and Stock Option Agreement (executed by Neal J. Campbell and Christina M. Corley), previously filed as Exhibit 10.38 with CDW Corporation's Amendment No. 2 to Form S-1 filed on June 14, 2013 (Reg. No. 333-187472) and incorporated herein by reference.
10.24§	Form of CDW Corporation Restricted Stock Award Notice and Restricted Stock Award Agreement (executed by Thomas E. Richards, Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.12 with CDW Corporation's Form 10-Q filed on August 12, 2013 and incorporated herein by reference.
10.25§	Form of CDW Corporation Restricted Stock Award Notice and Restricted Stock Award Agreement (executed by Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka), previously filed as Exhibit 10.13 with CDW Corporation's Form 10-Q filed on August 12, 2013 and incorporated herein by reference.
10.26§	CDW Amended and Restated Restricted Debt Unit Plan, previously filed as Exhibit 10.3 with CDW Corporation's Form 10-Q filed on November 7, 2013 and incorporated herein by reference.
10.27§	Form of CDW Restricted Debt Unit Grant Notice and Agreement (executed by Thomas E. Richards, Dennis G. Berger, Douglas E. Eckrote, Christine A. Leahy, Jonathan J. Stevens and Ann E. Ziegler), previously filed as Exhibit 10.23 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.28§	Form of CDW Restricted Debt Unit Grant Notice and Agreement (executed by Neal J. Campbell, Christina M. Corley, Christina V. Rother and Matthew A. Troka and to be used for certain future grantees), previously filed as Exhibit 10.24 with CDW Corporation's Form S-4 filed on September 7, 2010 (Reg. No. 333-169258) and incorporated herein by reference.
10.29§	Form of Stock Option Agreement (executive officers) under the CDW Corporation 2013 Long-Term Incentive Plan,

	previously filed as Exhibit 10.4 with CDW Corporation's Form 10-Q filed on May 12, 2014 and incorporated herein by reference.
10.30§	Form of Performance Share Unit Award Agreement (executive officers) under the CDW Corporation 2013 Long-Term Incentive Plan, previously filed as Exhibit 10.5 with CDW Corporation's Form 10-Q filed on May 12, 2014 and incorporated herein by reference.
10.31§*	Form of Performance Share Award Agreement (executive officers) under the CDW Corporation 2013 Long-Term Incentive Plan.
10.32§	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the CDW Corporation 2013 Long-Term Incentive Plan, previously filed as Exhibit 10.6 with CDW Corporation's Form 10-Q filed on May 12, 2014 and incorporated herein by reference.
12.1*	Computation of ratio of earnings to fixed charges.
21.1	List of subsidiaries, previously filed as Exhibit 21.1 with CDW Corporation's Form S-4 filed on April 13, 2012 (Reg. No. 333-180715) and incorporated herein by reference.

Exhibit Number	Description
23.1*	Consent of Ernst & Young LLP.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

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* Filed herewith

** These items are furnished and not filed.

§ A management contract or compensatory arrangement required to be filed as an exhibit pursuant to Item 601 of Regulation S-K.

Exhibit 10.31

CDW CORPORATION
2013 LONG-TERM INCENTIVE PLAN

PERFORMANCE SHARE AWARD AGREEMENT

CDW Corporation, a Delaware corporation (the " Company "), hereby grants to the individual (the " Holder ") named in the award notice attached hereto (the " Award Notice ") as of the date set forth in the Award Notice (the " Grant Date "), pursuant to the provisions of the CDW Corporation 2013 Long-Term Incentive Plan (the " Plan "), a performance share award (the " Award ") with respect to the number of shares of the Company's Common Stock, par value $0.01 per share (" Stock "), set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Plan and this agreement (the " Agreement "). Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement . The Award shall be null and void unless the Holder (a) accepts this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company (or electronically accepting this Agreement within the Holder's stock plan account with the Company's stock plan administrator according to the procedures then in effect) and (b) if requested by the Company, executes and returns one or more irrevocable stock powers to facilitate the transfer to the Company (or its assignee or nominee) of all or a portion of the shares subject to the Award, if shares are forfeited pursuant to Section 3 hereof or if required under applicable laws or regulations. As soon as practicable after the Holder has accepted this Agreement and executed such stock power or powers and returned the same to the Company, the Company shall cause to be issued in the Holder's name the maximum number of shares of Stock subject to the Award.

2. Rights as a Stockholder . The Holder shall have the right to vote the shares of Stock subject to the Award unless and until such shares are forfeited pursuant to Section 3 hereof. As of each date on which the Company pays a cash dividend on the shares of Stock subject to the Award (a " Dividend Date "), the dividend shall be used to purchase from the Company a number of shares equal to (i) the product of the total number of shares subject to the Award immediately prior to such Dividend Date multiplied by the dollar amount of the cash dividend paid per share of Stock by the Company on such Dividend Date, divided by (ii) the Fair Market Value of a share of Stock on such Dividend Date. Any such additional shares shall be subject to the same vesting conditions and other terms set forth herein as the shares to which they relate. The shares of Stock subject to the Award may be held by a custodian in book entry form with the restrictions on such shares duly noted or, alternatively, the Company may hold the certificate or certificates representing such shares, in either case until the Award shall have vested, in whole or in part, pursuant to Section 3 hereof. As soon as practicable after shares of Stock shall have vested pursuant to Section 3 hereof, subject to Section 4 hereof, the restrictions shall be removed from those of such shares that are held in book entry form, and the Company shall deliver to the Holder any certificate or certificates representing those of such shares that are held by the Company and destroy or return to the Holder the stock power or powers relating to such shares. Any shares of Stock that do not become vested and are forfeited pursuant to Section 3 shall be transferred to the Company (or its assignee or nominee).

3. Restriction Period and Vesting .

3.1. Performance-Based Vesting Conditions . Subject to the remainder of this Section 3 , the Stock shall vest pursuant to the terms of this Agreement and the Plan based on the achievement of the performance goals set forth in the Award Notice over the performance period set forth in the Award Notice (the " Performance Period "), provided that that the Holder remains in continuous employment with the Company through the end of the Performance Period. Attainment of the performance goals shall be determined and certified by the Committee in writing prior to the vesting of the Award. Any shares of Stock subject to the portion of the Award that does not become vested due to the failure of the Company to achieve the performance goals at the maximum levels of performance shall be forfeited and transferred to the Company (or its assignee or nominee).

3.2. Termination of Employment

(a) Termination due to Retirement, Death or Disability . If the Holder's employment with the Company terminates prior to the end of the Performance Period and prior to a Change in Control by reason of the Holder's Retirement, death or a termination by the Company due to Disability, the Performance Period shall continue through the last day thereof and the Holder shall be entitled to a prorated Award, provided that the Holder has continuously complied with the Restrictive Covenants. Such prorated Award shall be equal to the number of shares earned at the end of the Performance Period based on the actual performance during the Performance Period multiplied by a fraction, the numerator of which shall equal the number of full months in the Performance Period during which the Holder was employed by the Company and the denominator of which shall equal 36. Attainment of the performance goals shall be determined and certified by the Committee in writing prior to the vesting of the Award. Any shares of Stock subject to the portion of the Award that does not become vested shall be forfeited and transferred to the Company (or its assignee or nominee).

(b) Termination other than due to Retirement, Death or Disability . If the Holder's employment with the Company terminates prior to the end of the Performance Period and prior to a Change in Control by reason of (i) the Company's termination of the Holder's employment for any reason other than death or Disability or (ii) the Holder's resignation for any reason other than Retirement, then the Award shall be immediately forfeited by the Holder and cancelled by the Company. The shares of Stock subject to the Award shall be forfeited and transferred to the Company (or its assignee or nominee).

3.3. Change in Control .

(a) Satisfaction of Performance Goals . If a Change in Control occurs prior to the 24-month anniversary of the first day of the Performance Period, the Performance Period shall end as of the date of the Change in Control and the performance goals set forth in Section 3.1 shall be deemed to have been satisfied at the target level. If the Change in Control occurs on or after the 24-month anniversary of the first day of the Performance Period, the Performance Period shall end as of the date of the Change in Control, and the number of shares of Stock earned pursuant to Section 3.1 shall be based on the projected level of performance through the end of the Performance Period, as determined by the Committee prior to the date of the Change in Control based on performance through the date of such determination. If the Change in Control occurs after the date on which the Participant's employment is terminated by reason of death, Disability or Retirement, pursuant to Section 3.2(a) , the number of shares earned for purposes of such section shall be determined as of the date of the Change in Control in accordance with this Section 3.3(a) and shall be vested as of the date of such Change in Control. Any shares of Stock subject to the

portion of the Award that does not become vested shall be forfeited and transferred to the Company (or its assignee or nominee).

(b) Vesting of Award Not Assumed . In the event of a Change in Control prior to the end of the Performance Period pursuant to which the Award is not effectively assumed or continued by the surviving or acquiring corporation in such Change in Control (as determined by the Board or Committee, with appropriate adjustments to the number and kind of shares, in each case, that preserve the value of the shares subject to the Award and other material terms and conditions of the outstanding Award as in effect immediately prior to the Change in Control), the Award shall vest as of the date of the Change in Control, based on the performance level determined in accordance with Section 3.3(a) . Any shares of Stock subject to the portion of the Award that does not become vested shall be forfeited and transferred to the Company (or its assignee or nominee).

(c) Vesting of Award Assumed . In the event of a Change in Control prior to the end of the Performance Period pursuant to which the Award is effectively assumed or continued by the surviving or acquiring corporation in such Change in Control (as determined by the Board or Committee, with appropriate adjustments to the number and kind of shares, in each case, that preserve the value of the shares subject to the Award and other material terms and conditions of the outstanding Award as in effect immediately prior to the Change in Control) and (i) the Holder remains continuously employed through the end of the Performance Period, (ii) the Company terminates the Holder's employment without Cause or the Holder resigns for Good Reason within 24 months following such Change in Control and the Holder executes and does not revoke a waiver and release of claims in the form prescribed by the Company within 60 days after the date of such termination or (iii) the Holder's employment terminates due to death, Disability or Retirement following such Change in Control, in any such case, the Award shall vest based on the performance level determined in accordance with Section 3.3(a) hereof as of the end of the Performance Period or, if earlier, the Holder's termination of employment; provided that to the extent that any Required Tax Payments are due prior to such vesting date, the Company shall withhold whole shares of Stock from the number of shares subject to the Award having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises, equal to the Required Tax Payments, in accordance with Section 6.1 . In the case of a termination pursuant to clause (ii) of this Section 3.3(c) (termination without Cause or resignation for Good Reason), the Award shall vest in full, and in the case of a termination pursuant to clause (iii) of this Section 3.3(c) (death, Disability or Retirement), the Award shall be prorated in accordance with, and subject to the terms of, Section 3.2(a) . If, following a Change in Control, the Holder experiences a termination of employment other than as set forth in this Section 3.3 (c) , the Award shall be immediately forfeited by the Holder and cancelled by the Company. Any shares of Stock subject to the portion of the Award that does not become vested shall be forfeited and transferred to the Company (or its assignee or nominee).

3.4. Definitions .

(a) Cause . For purposes of this Award, " Cause " shall mean one or more of the following: (A) Holder's refusal (after written notice and reasonable opportunity to cure) to perform duties properly assigned which are consistent with the scope and nature of Holder's position; (B) Holder's commission of an act materially and demonstrably detrimental to the financial condition and/or goodwill of the Company or any of its Subsidiaries, which act constitutes gross negligence or willful misconduct in the performance of duties to the Company or any of its Subsidiaries; (C) Holder's commission of any theft, fraud, act of dishonesty or breach of trust resulting in or intended to result in material personal gain or enrichment of Holder at the direct or indirect expense of the Company or any of its Subsidiaries; (D) Holder's conviction of, or plea of guilty or nolo contendere to, a felony; (E) Holder's material violation of

any Restrictive Covenant; or (F) Holder's material and willful violation of the Company's written policies or of Holder's statutory or common law duty of loyalty to the Company or its affiliates that in either case is materially injurious to the Company, monetarily or otherwise. No act or failure to act will be considered "willful" (x) unless it is done, or omitted to be done, by Holder in bad faith or without reasonable belief that Holder's action or omission was in the best interests of the Company or (y) if it is done, or omitted to be done, in reliance on the informed advice of the Company's outside counsel or independent accountants or at the express direction of the Board.

(b) Disability . For purposes of this Award, " Disability " shall mean the Holder's absence from the Holder's duties with the Company on a full-time basis for at least 180 consecutive days as a result of the Holder's incapacity due to physical or mental illness, or under such other circumstances as the Committee determines, in its sole discretion, constitute a Disability.

(c) Good Reason . For purposes of this Award, " Good Reason " shall mean that the Holder resigns from employment with the Company and its Subsidiaries as a result of one or more of the following reasons: (i) the Company reduces the amount of the Holder's base salary or cash bonus opportunity (it being understood that the Board shall have discretion to set the Company's and the Holder's personal performance targets to which the cash bonus will be tied), (ii) the Company adversely changes the Holder's reporting responsibilities, titles or office as in effect as of the date hereof or reduces his/her position, authority, duties, responsibilities or status materially inconsistent with the positions, authority, duties, responsibilities or status the Holder then holds, (iii) any successor to the Company in any merger, consolidation or transfer of assets does not expressly assume any material obligation of the Company to the Holder under any agreement or plan pursuant to which the Holder receives benefits or rights, or (iv) the Company changes the Holder's place of work to a location more than fifty (50) miles from the Holder's present place of work; provided , however , that the occurrence of any such condition shall not constitute Good Reason unless (A) the Holder provides written notice to the Company of the existence of such condition not later than 60 days after the Holder knows or reasonably should know of the existence of such condition, (B) the Company fails to remedy such condition within 30 days after receipt of such notice and (C) the Holder resigns due to the existence of such condition within 60 days after the expiration of the remedial period described in clause (B) hereof.

(d) Restrictive Covenant . For purposes of this Award, " Restrictive Covenant " shall mean any non-competition, non-solicitation, confidentiality or protection of trade secrets (or similar provision regarding intellectual property) covenant by which Holder is bound under any agreement between Holder and the Company and its Subsidiaries.

(e) Retirement . For purposes of this Award, " Retirement " shall mean Holder's termination of employment at a time when (i) the Holder has attained age 55 and (B) the sum of the Holder's age and years of employment with or service to the Company or its Subsidiaries equals or exceeds 65; provided that such termination occurs at least six months after the Grant Date.

4. Clawback of Proceeds .

4.1. Clawback of Proceeds . This award is subject to the clawback provisions in Section 5.15 of the Plan. In addition, if the Holder materially violates any Restrictive Covenant and such violation occurs on or before the third anniversary of the date of the Holder's termination of employment: (i) the Award shall be forfeited and (ii) any and all Performance Share Proceeds (as hereinafter defined) shall be immediately due and payable by the Holder to the Company. For purposes of this Section, " Performance Share Proceeds " shall mean, with respect to any portion of the Award which becomes

vested later than 24 months prior to the date of the Holder's termination of employment or service with the Company, the Fair Market Value of a share of Common Stock on the date such portion of the Award became vested, multiplied by the number of shares of Common Stock that became vested. The remedy provided by this Section shall be in addition to and not in lieu of any rights or remedies which the Company may have against the Holder in respect of a breach by the Holder of any duty or obligation to the Company.

4.2. Right of Setoff . The Holder agrees that by accepting the Award the Holder authorizes the Company and its affiliates to deduct any amount or amounts owed by the Holder pursuant to this Section 4 from any amounts payable by or on behalf of the Company or any affiliate to the Holder, including, without limitation, any amount payable to the Holder as salary, wages, vacation pay, bonus or the vesting or settlement of the Award or any stock-based award. This right of setoff shall not be an exclusive remedy and the Company's or an affiliate's election not to exercise this right of setoff with respect to any amount payable to the Holder shall not constitute a waiver of this right of setoff with respect to any other amount payable to the Holder or any other remedy.

5. Transfer Restrictions and Investment Representation .

5.1. Nontransferability of Award . The Award may not be transferred by the Holder other than by will or the laws of descent and distribution. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2. Investment Representation . The Holder hereby covenants that (a) any sale of any share of Stock acquired upon the vesting of the Award shall be made either pursuant to an effective registration statement under the Securities Act of 1933, as amended (the " Securities Act "), and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws and (b) the Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance of the shares and, in connection therewith, shall execute any documents which the Committee shall in its sole discretion deem necessary or advisable.

6. Additional Terms and Conditions of Award .

6.1. Withholding Taxes . As a condition precedent to the vesting of the Award and the delivery of the Stock hereunder, at the Company's discretion either (i) the Holder shall pay to the Company such amount as the Company (or an affiliate) determines is required, under all applicable federal, state, local, foreign or other laws or regulations, to be withheld and paid over as income or other withholding taxes (the " Required Tax Payments ") with respect to the Award or (ii) the Company or an affiliate may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company or an affiliate to the Holder, which may include the withholding of whole shares of Stock which would otherwise be delivered to the Holder having an aggregate Fair Market Value, determined as of the date on which such withholding obligation arises, equal to the Required Tax Payments, in either case in accordance with such terms, conditions and procedures that may be prescribed by the Company. Shares of stock withheld may not have a Fair Market Value in excess of the Company's minimum statutory withholding requirements for the Required Tax Payments;

provided, however, that if a fraction of a share of Stock would be required to satisfy the minimum amount of the Required Tax Payments, then the number of shares of Stock to be withheld may be rounded up to the next nearest whole share of Stock. Notwithstanding the foregoing, if the Required Tax Payments are due prior to the date the Company determines the number of shares of Stock that have become vested, the amount of the Required Tax Payments, including the number of shares withheld to pay such Required Tax Payments, may be based on a reasonable estimate of the number of shares that are expected to become vested. No certificate representing a share of Stock shall be delivered until the Required Tax Payments have been satisfied in full. A determination by the Company to satisfy the Required Tax Payments by withholding shares of Stock shall be made by the Committee if the Holder is subject to Section 16 of the Exchange Act.

6.2. Compliance with Applicable Law . The Award is subject to the condition that if the listing, registration or qualification of the shares of Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

6.3. Award Confers No Rights to Continued Employment . In no event shall the granting of the Award or its acceptance by the Holder, or any provision of the Agreement or the Plan, give or be deemed to give the Holder any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

6.4. Decisions of Board or Committee . The Board or the Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Board or the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

6.5. Successors . This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of the Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.6. Notices . All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to CDW Corporation, Attn: General Counsel, 200 N. Milwaukee Avenue, Vernon Hills, Illinois 60061, and if to the Holder, to the last known mailing address of the Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided , however , that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.7. Governing Law . This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the laws of the United States,

shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.8. Agreement Subject to the Plan . This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. The Holder hereby acknowledges receipt of a copy of the Plan.

6.9. Entire Agreement . This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Holder with respect to the subject matter hereof, and may not be modified adversely to the Holder's interest except by means of a writing signed by the Company and the Holder.

6.10. Partial Invalidity . The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof and this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

6.11. Amendment and Waiver . The Company may amend the provisions of this Agreement at any time; provided that an amendment that would adversely affect the Holder's rights under this Agreement shall be subject to the written consent of the Holder. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.12. Compliance With Section 409A of the Code . This Award is intended to be exempt from Section 409A of the Code, and shall be interpreted and construed accordingly.

EXHIBIT 12.1

CDW CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(unaudited)

(dollars in millions)	Years ended December 31,				
	2010	**2011**	**2012**	**2013**	**2014**
Computation of earnings:					
Income (loss) before income taxes and adjustment for (income) loss from equity investees	$ (37.1)	$ 28.3	$ 185.8	$ 194.9	$ 385.5
Distributed income from equity investees	0.2	0.5	1.2	1.0	1.1
Fixed charges	420.7	324.9	312.4	254.3	202.8
Total earnings	$ 383.8	$ 353.7	$ 499.4	$ 450.2	$ 589.4
Computation of fixed charges:					
Interest expense	$ 394.7	$ 302.0	$ 294.4	$ 241.8	$ 191.3
Amortization of deferred financing costs and debt premium	18.0	15.7	13.6	8.8	6.4
Portion of rent expense representative of interest [1]	8.0	7.2	4.4	3.7	5.1
Total fixed charges	$ 420.7	$ 324.9	$ 312.4	$ 254.3	$ 202.8
Ratio of earnings to fixed charges	(2)	1.1	1.6	1.8	2.9

(1) Fixed charges include a reasonable estimation of the interest factor included in rental expense.

(2) For the year ended December 31, 2010, earnings available for fixed charges were inadequate to cover fixed charges by $37.0 million.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 ASR No. 333-199425) of CDW Corporation, and

(2) Registration Statement (Form S-8 No. 333-189622) pertaining to the 2013 Long-Term Incentive Plan and Coworker Stock Purchase Plan of CDW Corporation;

of our reports dated February 26, 2015, with respect to the consolidated financial statements and schedule of CDW Corporation and subsidiaries and the effectiveness of internal control over financial reporting of CDW Corporation and subsidiaries included in this Annual Report (Form 10-K) of CDW Corporation for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Chicago, Illinois
February 26, 2015

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) or 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Thomas E. Richards, certify that:

1. I have reviewed this annual report on Form 10-K of CDW Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas E. Richards

Thomas E. Richards
Chairman, President and Chief Executive Officer
CDW Corporation
February 26, 2015

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) or 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Ann E. Ziegler, certify that:

1. I have reviewed this annual report on Form 10-K of CDW Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ann E. Ziegler

Ann E. Ziegler
Senior Vice President and Chief Financial Officer
CDW Corporation
February 26, 2015

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63
OF TITLE 18 OF THE UNITED STATES CODE

I, Thomas E. Richards, the chief executive officer of CDW Corporation ("CDW"), certify that (i) the Annual Report on Form 10-K for the year ended December 31, 2014 (the "10-K") of CDW fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the 10-K fairly presents, in all material respects, the financial condition and results of operations of CDW.

/s/ Thomas E. Richards

Thomas E. Richards
Chairman, President and Chief Executive Officer
CDW Corporation
February 26, 2015

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 1350 OF CHAPTER 63
OF TITLE 18 OF THE UNITED STATES CODE

I, Ann E. Ziegler, the chief financial officer of CDW Corporation ("CDW"), certify that (i) the Annual Report on Form 10-K for the year ended December 31, 2014 (the "10-K") of CDW fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the 10-K fairly presents, in all material respects, the financial condition and results of operations of CDW.

/s/ Ann E. Ziegler

Ann E. Ziegler
Senior Vice President and Chief Financial Officer
CDW Corporation
February 26, 2015

Attachment B: Methodology

1. Overall Approach

Requirement

1. Offeror shall describe its overall approach to providing solicited services. Include how Offeror plans to meet or exceed requirements of the Scope of Work and Terms and Conditions.

Response

At CDW, our software business is the single largest category, with sales generating over $3 billion annually. This encompasses both traditional software licensing and subscription-based Software-as-a-Service (SaaS) licensing models. We offer innovative value-added benefits (detailed further in **requirement 7**) to enhance the procurement process, lower administrative costs, and reduce the risk of noncompliance associate with volume software licensing.

To meet—and exceed—the needs of the NASPO ValuePoint contract customers, as delineated in the Scope of Work and Terms and Conditions, CDW•G presents our customizable customer website, dedicated account managers and software licensing specialists, industry-best customer service, a streamlined software-management system, and direct, timely support.

CDW•G has proposed changes to the Terms and Conditions that are detailed within **Attachment D**, per the requirements of Executive Summary. Most of the proposed changes are a direct result of our status as an authorized reseller of licensing, where terms are currently drafted as if the awardee is the publisher. We appreciate the opportunity to discuss further and anticipate a good-faith negotiation.

2. Website

Requirement

2. Per Section 3.1.3, the SVAR shall Develop and Maintain Website. Describe the website to be established for a state. Address that website's functionalities or special features. You may supplement this response with illustrative screen prints (no more than 10) from one of your company's existing websites. Taking into account the requirements of Section 3.1.3, address at a minimum:

Response

CDW has over 20 years' experience in providing customer purchasing solutions on our website. We transact over $2.5 billion dollars in business **through our website** annually, which puts us in one of the top 10 e-commerce sites in the US. Our website, found at www.cdwg.com, is highly customizable, allowing each agency, department, and workgroup to tailor the site according to their specific needs.

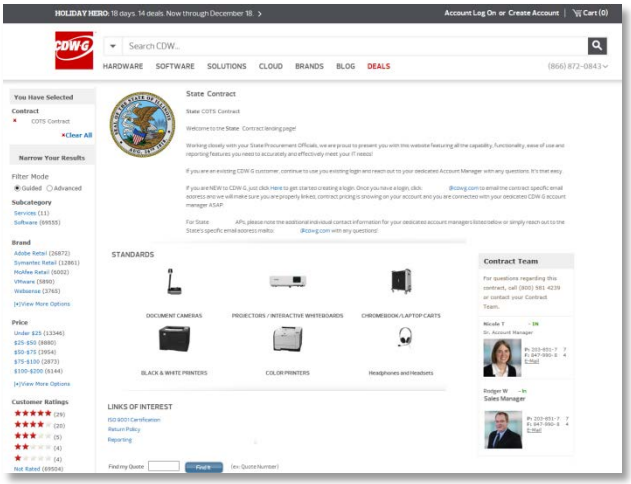
Additionally, the CDW•G program manager supporting the contract will create and maintain a contract-specific website, called a Premium Page. This site possesses the same functionalities as our website, with additional links features and contract pricing listed for each available contract item.

Requirement

- 2.1 Home page appearance and information;

Response

The contract's CDW•G Premium Page requires no login to view, so our account teams and NASPO ValuePoint can easily direct eligible agencies to the site to demonstrate the competitive pricing available. There are a number of customizable features we will tailor to your preferences. Options include links of interest, text and images, related documentation, and the highlighting of specific OEMs and/or software solutions. Items standard to the home page include a quick "Find My Quote" search option and our general sales contact information, as well as providing easy access to our site subpages (e.g., Software, Cloud, Blog, Solutions).



CDW•G will provide NASPO ValuePoint customers with access to a **free** customized Account Center site where they can view quotes, place orders, check status of orders, and track their order history. This site is available by logging into the customer account from either the Premium Page or www.cdwg.com.

Requirement

- 2.2 On-line tutorials;

Response

We offer online tutorials for use of our website, as well as webinars about popular technology solutions. A high-level Account Center tour and a CDW website tour are available here: www.cdwsiteinfo.com. The site also includes website FAQs; detailed breakdowns of the Account Center functionalities, and a blog featuring new site updates. Within your Account Center, function-specific tutorials and instructions are available for major areas (e.g., catalogs, quotes, order tracking. We house solution-specific tutorials and webinars in the Media Library, with nearly 70 webinars and over 10 different video channels. This easy-to-search library includes a plethora of helpful documentation for users to research, as well.

Requirement

- 2.3 Product catalog (include searchable fields, products to be included, how license information is provided);

Response

The contract's Premium Page allows NASPO ValuePoint customers to perform quick product searches and to comparison shop by viewing up to 10 side-by-side product descriptions, with a number of helpful filtering options. Additionally, customers can export the comparison information into a CSV file for reporting needs.

Our site includes license information on each product page. This information appears on the comparison tool when selecting the "Technical Specs" option. Licensing details include, but are not limited to, agreement term, category, level, type, licensing program, pricing level, subscription details (when applicable), quantity, and service support (where included).

Specific to NASPO ValuePoint, users can also view descriptions of the most popular vendor partners' licensing programs from the software licensing center, eliminating the hassle of downloading data from multiple manufacturer websites and providing a full library of helpful resources to educate on software licensing.

To continue with a purchase, users must enter a unique ID and password, at which point eligible entities can quickly track orders and quotes. A key element in expanding contract reach, the website is a trustworthy means of easily choosing and ordering new licenses and products on the contract. Contract pricing continues to be displayed for all items. When authenticated, entities can add additional products from any of their available contracts, all on one order. If a customer does not currently have a CDW•G Account Center and would like to utilize this tool, the registration process is simple, selecting their own login ID and password for their customized site.

Site functionality includes the following:

- Track orders and shipments
- Connect with your account team
- Manage applicable purchases and payments
- Review consistent, contract-compliant pricing
- Promote IT standards
- Set shipping preferences and manage contact information
- Control access to features and information through customer organization

The Account Center improves efficacy and efficiency when working with CDW•G, as compared to our competitors. Starting with comparing products, finding compatible accessories, creating custom catalogs, setting authorization levels, and selecting from a number of shipping options, your CDW•G Account Center expands to track agency spending history, manage assets, and create customized reports. Support and assistance is available via the site, through contacting the account manager and/or a customer service rep, as well as placing and reviewing RMA requests.

Software Management

NASPO ValuePoint users can take advantage of features that make it easy to find, download, activate, and manage software licenses.

- Discover and analyze
- Audit software applications running on network
- Instantly run inventory of software assets
- Analyze software usage
- Automatically find all IT assets
- Monitor network vulnerabilities
- View comprehensive asset reporting
- Software filters
- Quickly narrow purchase options based on current software contract
- Some publishers available for automatic/web-based features
- Use Software Keycodes to store keycodes from software licensing purchases

Additional Features

- Track licenses purchased from CDW and other vendor purchases
- Robust standardized and custom reporting options

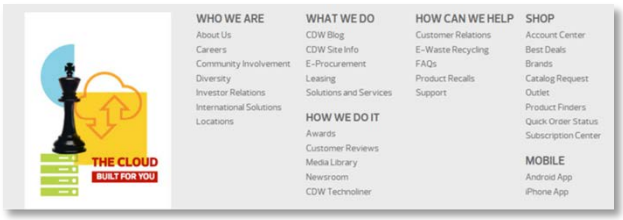
- Option to upload license information so you can consolidate software license reports and information

Requirement

- 2.4 Links

Response

As stated in **requirement 2.1**, links of interest (e.g., the NASPO ValuePoint primary website, CDW Media Library, etc.) can be tailored to customer preference on the Account Center site. This customization is available at **no cost** to the user.



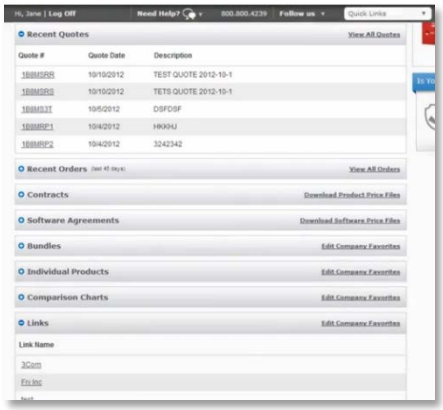
Requirement

- 2.5 Downloadable standard reports. Include:
  - 2.5.1 How information is controlled and sorted (e.g. what information LSCA can access);

Response

Information can be captured and reported via the Account Center and include (but are not limited to) the following sortable fields:

- ABB Billing ID
- Accounting Code
- Apple Education Account Number
- Invoice Approval ID
- Business Area
- Buyers ID for Billing
- Buyers ID for Seller
- Buyers ID for Vendor
- Capital Budget Number
- Cost Center
- Corporation Code
- Department Code
- Employee Email Address
- Employee First Initial
- Employee ID Number
- Employee Last Name
- Employee Phone Number
- Freight Cost Center
- Freight GL Account
- Inventory Cost Center
- Inventory GL Account
- Account
- Unit
- MW Customer Number
- Release Number
- SAP Company
- Shipping Account Number
- Selling Division
- Buying Unit #
- Staples Internal Customer Number
- Staples Merchandise Type Code
- Tax Cost Center
- Tax GL Account
- Ticket Number
- Vendor ID
- 3rd Party Assigned Order Number
- Work Request
- Original Order Price
- Original Order Quantity



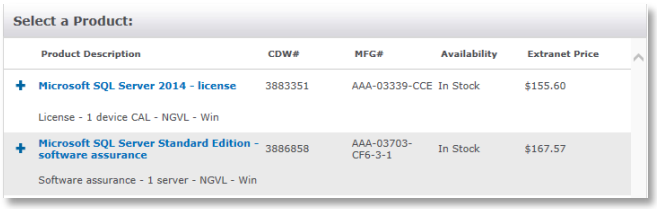
The Account Center is set up by customer number, meaning that the LSCA will need to work with the program manager to receive contract-wide reports (see **requirement 2.5.2**).

Requirement

- 2.5.2 How state Procurement Officer can obtain purchasing profile for Users and volume in State;

Response

Standard reports are available for download via the Account Center and your account manager, utilizing sortable data fields which can be accessed and viewed by the customer, managed as Preferences. Each site will only show the individual agency, with "roll up" reports for the LSCA performed by the program manager. Each customer (**requirement 2.5.3**), if set as a subordinate to the main central agency, can roll up to the Procurement Officer (**2.5.2**). Use easy drag and drop options to customize reports or download data for offline analysis. More information about the types of reporting available to NASPO ValuePoint customers is featured in **requirement 5**. Through the Account Center, customers will have the ability to coordinate to the individual state's electronic purchasing system, utilizing our Purchase Authorization System (PAS), streamlining and controlling IT purchases with automated, rules-based approvals and workflows.



Requirement

- 2.5.3 How an individual User can obtain only their information.

Response

Our Account Centers are set up by each customer's CDW•G account number. Agencies access and generate reports that include only the information relevant to their account. The authorized user(s) designated to manage the entity's account act as administrator and can customize the site to restrict the information available to individual purchases, if desired.

Requirement

- 2.6 How website is monitored, kept current and accurate.

Response

Once your program manager puts the contract structure into the system, the system updates the contract pricing automatically, as we receive it from our OEM and distributor partners. Our major partners send daily EDI downloads or real-time information directly to our ordering and inventory system. For all quote requests, our AMs use one system to manage the process (from quote to order placement). This system allows us to centrally manage many key functions, including purchasing, inventory management, accounts receivable, sales, and distribution.

For general site maintenance, we have an in-house team of over 200 IT personnel to keep our website refreshed quickly, cutting edge, and accurate. Much customer feedback goes into site updates, ensuring our site continues to offer the best features for easing customer procurement needs. For example, our team redesigned the site's segment-specific homepages in early 2015. The winning designs were a result of a 12-hour hackathon, a 10-day customer beta test, and additional customer feedback.

We schedule updates during times with the lowest traffic and always notify customer of updates in advance via a site banner and our website's blog. Our success is reflected in the less-than-six minutes of unplanned downtime in 2014—an uptime exceeding 99.997%.

3. Software Tracking

Requirement

3. Describe your Company's method for tracking software licenses and ensuring that Participating States receive timely notifications of renewals or are advised of volume agreement opportunities or vulnerabilities, etc.

Response

Software tracking differs from state to state, agency to agency, dependent upon the structuring of procurement practices and information required. For example, if the LSCA is the contract administrator, then the licensing team will provide all necessary information (including licensing cost analysis reports, software entitlements reports, and license history review reporting). If a state is leading the purchasing of licenses, or other agencies are listed as child accounts within our system, then our internal system will generate a license report applicable to each account. For procurement that is more decentralized, reports will be provided directly to the agencies holding the agreement. States can be kept informed of licensing details such as OEM and license name.

- 3.1 The standard sortable data fields established for these records.

Response

CDW•G will provide NASPO ValuePoint customers with access to a customized Account Center site where they can view quotes, place orders, check status of orders, and track their order history, **where all fields are sortable**. The CDW•G Account Center site, customized specifically for each agency, also provides access to each customer's software purchases and licenses. The Account Center is a proprietary tool made available to CDW•G customers **at no cost**. Additionally, AMs can handle requests for scheduled or ad hoc reporting.

Requirement

- 3.2 The information tracked on behalf of Participating States.

Response

CDW•G eases the burden of tracking renewal dates and solution comparisons through the methodical management processes followed by our AMs and licensing specialists, ensuring accuracy of purchased licenses and true up dates (**requirement 3.3**). Our personalized approach means we know our customers' systems and offer recommendations tailored to best fit your needs. Your AM assists with understanding the advantages and vulnerabilities of specific solutions and helps negotiate Volume Licensing Agreements (VLAs) with software partners, resulting in substantial time and money saved. See **requirement 4.3** for detail on our true up workbook report, available for EA customers.

As detailed in **requirement 2.3**, the Account Center offers multiple tracking options for relevant information and features software management consolidating license information, application audits, and various reporting capabilities. Additionally, knowledgeable licensing experts monitor contract customers' significant dates and volume plateaus (**requirement 3.3**), as well as assisting in navigation through software partner customer portals. Reports are details further in **requirement 5**.

Requirement

- 3.3 How reminders of significant dates or volume plateaus are triggered. Include how your Company, as a partner with the Participating State, communicates with the State to ensure no deadlines are missed or opportunities are unexplored.

Response

Our licensing specialists track the anniversary and expiration dates for each enrollment. CDW•G requires our AMs to send monthly notifications of upcoming annual payments for the three months prior to anniversary date. Account managers and licensing specialists have also made it a best practice to initiate volume license renewal discussions six months prior to expiration. During this process, the CDW•G licensing specialist reviews the licenses on the current agreement and explain any license changes that may impact how they are renewed on the next agreement.

Each NASPO ValuePoint member's dedicated licensing specialist is a customer advocate, focusing on the customer's existing environment and future plans. This allows them to make licensing recommendations for renewal and work with the AM to create an initial renewal proposal. The customer can review the proposal, make changes, ask questions, and ultimately approve. Once approved, CDW•G prepares the renewal paperwork and provides instructions for completion.

Our ability to manage thousands of concurrent publisher contracts has been built on this system and a partnership with us will give NASPO ValuePoint customers the peace of mind that agency renewals will not be missed. CDW•G updates our systems immediately when we receive notifications on products and pricing from publishers. Your software licensing specialist tracks licensing purchases and ensures that NASPO ValuePoint customers have the following: new software version (as appropriate), access to technical support, ongoing audits, reduced risk through compliance, and timely contract renewal.

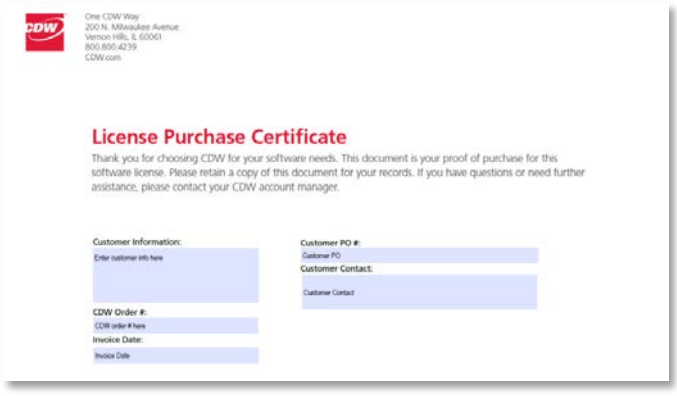
4. Proof of License

Requirement

4. Describe your Company's method of ensuring a Participating State receives documentation of Proof of License that can be provided to requestors (e.g. auditors, in response to FOIA requests, etc.)
4.1 Describe process for providing Proof of License to a buyer. Provide a sample Proof of License.

Response

All Proof of License certificates are available electronically or in hard copy after purchase. Proof of license methods differ from publisher to publisher. Usually, purchasers can pull the proof of license directly from the OEM invoice. These serve as proof of ownership in the event of an audit. CDW•G can also provide a proof of license certificate (see the sample) or the OEM purchase automatically or when requested, such as an auditor response to FOIA, etc.



Requirement

4.2 Explain method of retaining back-up copies of Proof of License. State how quickly a duplicate copy can be provided.

Response

Our invoices and proof of licenses are available via request to your AM at any point, as they serve as part of our day-to-day business and operational processes. Further, CDW•G has the highest ranking partner status available with our top-tier software manufacturers (and most of the publishers listed as part of this RFP). We also have CDW•G-badged partner specialists and partner-badged resources with permanent desks at our offices. Further, we can leverage our software partner resources—and our own CDW•G resources—to quickly obtain any necessary back-up/duplication documentation a customer may need.

Requirement

4.3 Describe how your Company partners with a State to demonstrate accuracy of licensing information to a publisher (aka a "True Up").

Response

With CDW•G, the conversation does not end at purchase. As described in **requirement 3**, Software Tracking, our account managers and licensing specialists are trained to proactively support our customers throughout the life of their software contract. It would be simpler for us to use a completely automated process for the management and renewal of software licenses, as many companies do, but using an automated approach alone results in mistakes and unhappy customers. We prefer to bolster automated elements with consultative touch points. Our licensing specialists are subject matter experts and work proactively with the account managers to manage these contracts.

Our methodology described in **requirement 3** shows that we start the true-up discussion/process three months prior to a customer's anniversary date, or earlier (upon request). The true-up process includes a review of what is on the current license agreement. The licensing specialist spends time explaining to the customer what each license means and how it ties back to their environment. Through this discussion, the license specialist gains an understanding of what the current customer's environment is and is able to compare that to the licensing shown on the current agreement. If a true-up is needed as a result of this discussion, the licensing specialist makes a recommendation on license to purchase.

Additionally, if the licensing specialist determines there is a more cost-effective means to license the current environment, they recommend changes to the agreement in order to reflect any potential cost savings. If a customer is anticipating a future project that may result in a true-up and needs to plan further out in advance (for budgetary reasons), the licensing specialist is available to have that discussion and provide budgetary numbers at any time.

Lastly, upon request, CDW•G has a true up workbook available for EA customers. The workbook includes reporting around current licensed products and allows the customer to populate their current install quantity. Since the workbook includes true up pricing, the customer immediately sees their exact true-up cost. This information is extremely valuable for budgeting, forecasting, and project planning. With more than 180,000 software renewals processed yearly, CDW•G offers the expertise necessary for NASPO ValuePoint members, having proven our ability to execute timely renewals with reduced customer stress.

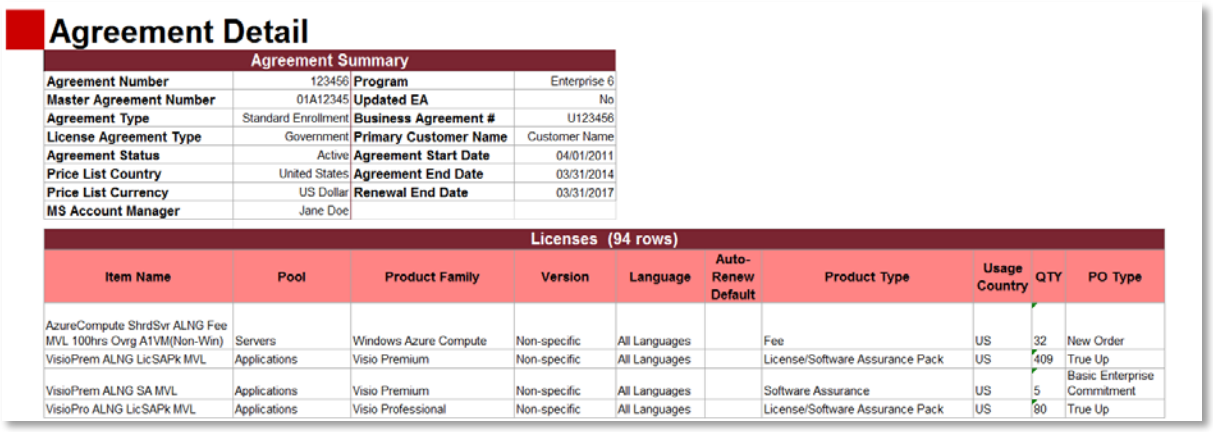
5. Reports

Requirement

5.1 Describe standard reports which can be generated for a State (other than downloadable reports addressed earlier). Provide sample reports.

Response

CDW•G has a slew of reporting options available to NASPO ValuePoint customers. Agency-specific reports are accessible through the Account Center or their AM. State-wide reports are available through the state's dedicated program manager, reporting flexibility a key benefit to partnering with CDW•G; procurement-structure specific reporting is detailed in **requirement 3**.



Agreement Detail

Agreement Summary			
Agreement Number	123456	**Program**	Enterprise 6
Master Agreement Number	01A12345	**Updated EA**	No
Agreement Type	Standard Enrollment	**Business Agreement #**	U123456
License Agreement Type	Government	**Primary Customer Name**	Customer Name
Agreement Status	Active	**Agreement Start Date**	04/01/2011
Price List Country	United States	**Agreement End Date**	03/31/2014
Price List Currency	US Dollar	**Renewal End Date**	03/31/2017
MS Account Manager	Jane Doe		

Licenses (94 rows)

Item Name	Pool	Product Family	Version	Language	Auto-Renew Default	Product Type	Usage Country	QTY	PO Type
AzureCompute ShrdSvr ALNG Fee MVL 100hrs Ovrg A1VM(Non-Win)	Servers	Windows Azure Compute	Non-specific	All Languages		Fee	US	32	New Order
VisioPrem ALNG LicSAPk MVL	Applications	Visio Premium	Non-specific	All Languages		License/Software Assurance Pack	US	409	True Up
VisioPrem ALNG SA MVL	Applications	Visio Premium	Non-specific	All Languages		Software Assurance	US	5	Basic Enterprise Commitment
VisioPro ALNG LicSAPk MVL	Applications	Visio Professional	Non-specific	All Languages		License/Software Assurance Pack	US	80	True Up

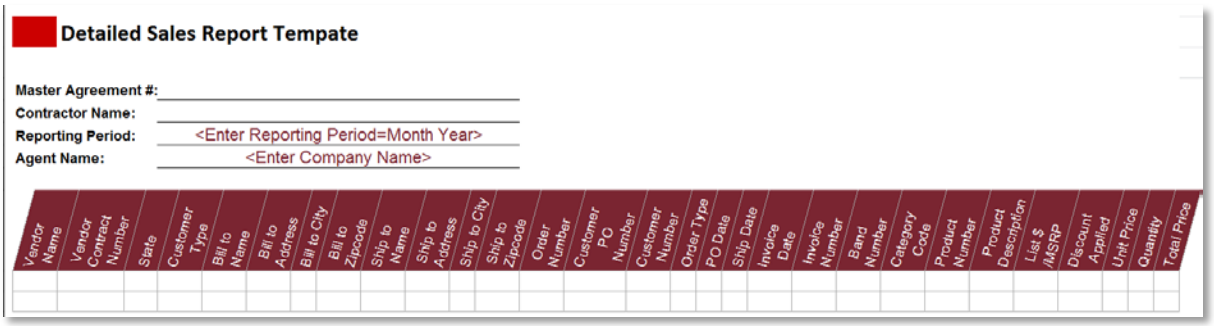
Requirement

5.2 Describe on-line, real time, reporting capabilities using established state website reports:

- 5.2.1 Standard Reports. Provide sample reports.

Response

Agencies have access to invoice reporting through the Account Center Payment Reporting section (note: requires finance user permission). We also offer the following invoice/invoice reporting methods: P-Cards (compliant to level/tier 3) and electronic invoicing (ANSIx12 4010 EDI, XML, cXML, mapped flat file formats.



Detailed Sales Report Tempate

Master Agreement #:
Contractor Name:
Reporting Period: <Enter Reporting Period=Month Year>
Agent Name: <Enter Company Name>

Vendor Name	Vendor Contract Number	State	Customer Type	Bill to Name	Bill to Address	Bill to City	Bill to Zipcode	Ship to Name	Ship to Address	Ship to City	Ship to Zipcode	Order Number	Customer PO Number	Customer Number	Order Type	PO Date	Ship Date	Invoice Date	Invoice Number	Band Number	Category Code	Product Number	Product Description	List $ /MSRP	Discount Applied	Unit Price	Quantity	Total Price

Requirement

- 5.2.2 Reports that can be generated by the LSCA.

Response

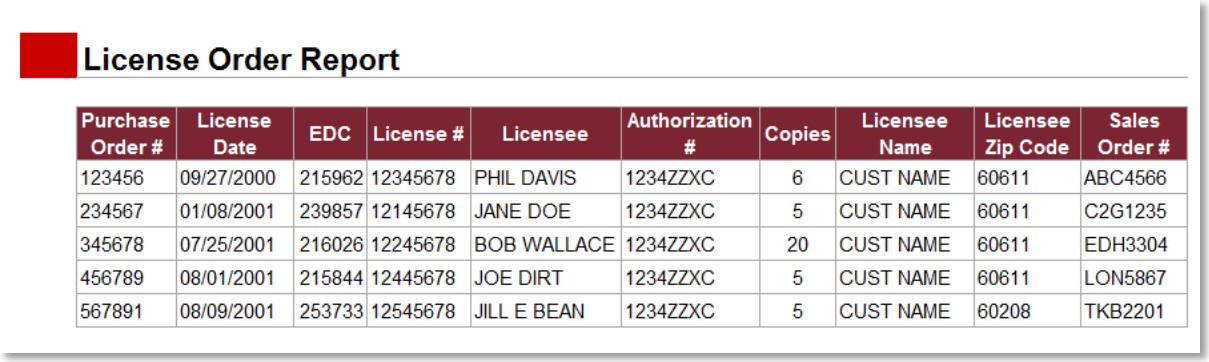
Your program manager can provide contract-wide reports to the LSCA, including but not limited to standard reports, licensing reports, and ad hoc reports. Please refer to the sample report included in **requirement 5.2.1**.

Requirement

- 5.2.3 Reports that can be generated by the Participating State. Provide sample reports.

Response

CDW•G's dynamic, ad hoc reporting capabilities on the Account Center, including our pivot table feature, enable purchasers to better manage data and to make more cost-effective decisions. The Account Center provides access to real-time information in a way that is convenient and easy to use. Authorized users have the ability to generate a variety of reports, such as those listed below, as well as others at their request. Customers can view standard reports, and create and save custom reports. Reports can also be generated for a variety of timeframes, differentiated by site, division, department, buyer, city, product, etc. In order to generate reports at the state level, Account Centers need to be linked for all applicable state agencies. Please also refer to the sample report included for **requirement 5.2.1**.



License Order Report

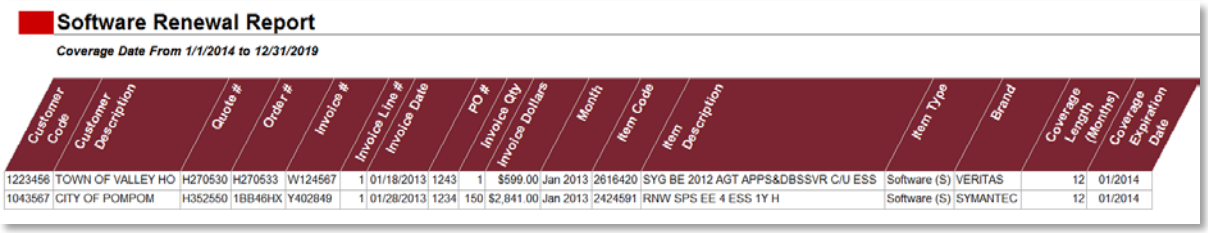
Purchase Order #	License Date	EDC	License #	Licensee	Authorization #	Copies	Licensee Name	Licensee Zip Code	Sales Order #
123456	09/27/2000	215962	12345678	PHIL DAVIS	1234ZZXC	6	CUST NAME	60611	ABC4566
234567	01/08/2001	239857	12145678	JANE DOE	1234ZZXC	5	CUST NAME	60611	C2G1235
345678	07/25/2001	216026	12245678	BOB WALLACE	1234ZZXC	20	CUST NAME	60611	EDH3304
456789	08/01/2001	215844	12445678	JOE DIRT	1234ZZXC	5	CUST NAME	60611	LON5867
567891	08/09/2001	253733	12545678	JILL E BEAN	1234ZZXC	5	CUST NAME	60208	TKB2201

Requirement

- 5.2.4 Reports that can be generated by the User agency. Provide sample reports.

Response

In addition to the reporting capabilities at the state level (detailed in **requirement 5.2.3**), within the Account Center, customers can also generate reports for various assets with a variety of fields. As part of any hardware sale that goes through our configuration center, customers can view serial numbers, MAC Addresses (where applicable), BIOS configurations, software installations, and much more.



Software Renewal Report

Coverage Date From 1/1/2014 to 12/31/2019

Customer Code	Customer Description	Quote #	Order #	Invoice #	Invoice Line #	Invoice Date	PO #	Invoice Qty	Invoice Dollars	Month	Item Code	Item Description	Item Type	Brand	Coverage Length (Months)	Coverage Expiration Date
1223456	TOWN OF VALLEY HO	H270530	H270533	W124567	1	01/18/2013	1243	1	$599.00	Jan 2013	2616420	SYG BE 2012 AGT APPS&DBSSVR C/U ESS	Software (S)	VERITAS	12	01/2014
1043567	CITY OF POMPOM	H352550	1BB46HX	Y402849	1	01/28/2013	1234	150	$2,841.00	Jan 2013	2424591	RNW SPS EE 4 ESS 1Y H	Software (S)	SYMANTEC	12	01/2014

Using CDW•G's Software License Tracker (SLT), offered to customers via the Account Center site at no additional charge, users can access this tool that simplifies license management, especially software license agreements. The SLT is accessible to all authorized users via the Account Center 24/7 and enables authorized users to manage license agreements by tracking expiration dates and generating standard or customized reports for delivery via email.

Users can run reports in SLT to show what license agreements are about to expire and to set up email alerts to be sent out at a specified time in advance of expiration. Our EA workbook (detailed in **requirement 4.3**) also lends a significant amount of customization at the agency level.

Requirement

5.3 Address whether your Company is able to provide "Custom Reports" as an optional service to Participating States, should State determine to utilize this service? (See Section 3: Scope of Work, 3.7.3 Custom Reports)

Response

Yes; should the state need to see reporting into areas of the contract that fall outside of the ad hoc and standard capabilities listed above, we will work with you to create the custom report. Our reporting tools are incredibly flexible, and we employ database administrators to combine the power of data feeds we have from our partners with our own data sets to automate custom reports. Upon award, CDW•G commits to having a discovery meeting with the state to determine additional reporting requirements that are necessary for the success of this contract.

6. Maximizing Value for the State

Requirement

6. Describe how your Company works with a State and publisher to maximize the State's value in obtaining products and services under this contract. Description is to address, but is not limited to, the following:

- 6.1 Working with a State and a publisher to assist the State in managing their volume or enterprise license agreements.

Response

True to our customer-centric approach, CDW•G aims to be more than a fulfillment provider to NASPO ValuePoint members, committing to provide the resources to navigate the increasingly complex world of software. Maximizing value for NASPO ValuePoint customers starts with the CDW•G field presence in each of the participating states. It is our best practice to work closely with a manufacturer's account manager within a specific state to build the necessary relationship and customer trust.

Our field and inside reps have many existing relationships with the publisher rep for each state named in this contract. Streamlining license agreements, providing install-based reports from a given publisher, and working with each agency to manage all software—including software purchased from other vendors—is the heart of the CDW•G advantage. As mentioned in **requirement 4.3**, our AMs and licensing specialists use a very methodical approach in managing agreements. This process is in place to ensure accuracy of licensing purchased, true updates, and renewals.

Even after a software contract is signed, our dedicated account teams and software licensing specialists maintain regular contact with customers to ensure that all licensing program benefits are maximized and that contracts are renewed on time. CDW•G provides contract management for all our software licensing partners' programs; our team of 22 software licensing renewal specialists will offer fast processing of renewal orders.

Sample Contract Lifecycle Management		
Year 1	**Year 2**	**Year 3**
▪ Welcome letter ▪ Kickoff meeting ▪ Software review ▪ Cloud planning ▪ Software profile ▪ CDW solutions ▪ Software deployment check ▪ True Up 1 due ▪ Annual business review	▪ Cloud planning ▪ Software profile ▪ CDW solutions ▪ Software deployment check ▪ True Up 2 due ▪ Annual business review	▪ Renewal intro ▪ Cloud planning ▪ Software profile ▪ Software deployment check ▪ Contract review ▪ True Up 3 due ▪ Annual business review

Requirement

- 6.2 Working with a State and publisher to maximize the leverage created by the total sales volume from a State and its cooperative partners to ensure best value to all State's.

Response

Prior to software purchase and any renewals, our LAEs evaluate total spend, assets, usage, and purchase history. Their recommendations include potential options that would optimize investment through vendor and contract consolidation, including volume transactional purchasing options or contractual volume agreements. Additionally, our teams will inform the customer of any volume purchase opportunities specific to the contract available for entities to leverage.

For example, CDW•G is the University of Southern California's (USC's) primary software provider, managing their Microsoft EES agreement. We recognized an opportunity for savings by aggregating USC's departmental Microsoft purchases under one master EES agreement, to leverage the volume the university was purchasing as a whole. Even though the master agreement is leveraged campus-wide, each department still has their own portal, ability to manage their own licenses, and pay for usage out of their department's budget. Consolidating departments' purchases under one EES agreement—as opposed to Microsoft's Open-Value option—provided USC with approximately three percent (3%) savings on the majority of their desktop product purchases.

Requirement

- 6.3 Working with a publisher to maximize the leverage created by the total sales volume overall resulting from this contract.

Response

We work in partnership with contract holders to act as an advocate in the contract environment, utilizing our experience with similar contracts to negotiate prices prior to final agreement and compare volume discounts occurring elsewhere. Regular reporting measures, monitored by our program manager and reviewed by sales leadership at various intervals, allow us to provide NASPO ValuePoint and its customers the most competitive offers on the market today.

With broad-scope contracts, we often see emerging trends in demand for certain publishers. If sales volumes indicate high spend in a specific solution, we collaborate with the software publisher to determine if additional savings or value can be incorporated for purchasers. If reports indicate a high volume of purchases with a software publisher with which we do not have a direct relationship established, a CDW•G coworker will initiate our New Vendor Addition Process, structure for evaluating both risk and reward when considering potential new vendors. This process protects contract users' best interests by considering the unique capabilities and products each vendor offers alongside potential areas of risk. Part of this methodology includes negotiating a partner agreement and competitive pricing with the new vendor, so that we can bolster support around the solutions being purchased and pass on additional savings.

Requirement

- 6.4 Working with State and publisher to obtain the best quote on a high volume purchase.

Response

While our online ordering capabilities are far superior to other resellers, we always encourage customers to reach out to their CDW•G AM before making a large purchase. This is because we train our AMs to view the contract pricing as a "ceiling" price. They will negotiate with the publisher on the customer's behalf, often securing additional savings.

Requirement

- 6.5 If, and how, your Company uses historical purchase information to provide targeted assistance to State.

Response

The team described in our response to **requirement 6.1** leverages historical data in supporting software license purchasing and management. However, leveraging historical data requires a different approach when you are not a contract incumbent. When awarded, CDW•G is committed to expend the extra effort to effectively collaborate with the customer and applicable software publishers.

The number of publishers purchased and the willingness of the customer to share information dictates the method in which CDW•G collects historical information. Most often, our licensing team will recommend our Software License Review, to ensure we gather all relevant information available. The CDW Software License Review provides our team and our customers an easy-to-read overview of all software assets and license purchased across all departments and units. Instead of customers having to contact each publisher individually, we take that task on for them.

While other resellers offer similar solutions, **CDW•G returns this review and accompanying timeline within 10 days**, not four to eight weeks. Instead of uploading the information to a web portal for customers to navigate alone, our software experts consult customers, providing recommendations for cost savings, license consolidation, and renewal strategy. These steps simplify and streamline the licensing review process. As our software and account teams learn the customer's systems and processes, they proactively guide the customer to licensing programs and products that best fit the customers' requirements and technology goals.

Requirement

- 6.6 How maintenance support is to be made available.

Response

CDW•G partners closely with each software publisher's supporting resources to provide easy access for phone-in incidents, software upgrades, and technical support. Within our sales offices, we have dedicated vendor desks, where qualified manufacturer personnel respond to customer inquiries and provide support to AMs.

Additionally, software-specific newsletters are available to customers, keeping you up-to-date on popular and new-release products. Part of our industry-best pre-sales consulting methodology is maintaining communication with customers to ensure awareness of release dates and the maximization of our **no-cost roadmapping** offer.

Please note that CDW•G account managers will never include maintenance or any additional purchasing options on a quote without first discussing with the customer to ensure they understand the different maintenance levels that are available and what is included in the maintenance offer selected.

Requirement

- 6.7 Describe how training regarding the installation of products and use of products will be made available and how to obtain best value from it.

Response

CDW•G's software practice includes resources such as pre-sales technical specialists, licensing specialists, product specialists, and post-sales engineers. These resources play a valuable role for our customers as it relates to product-pertinent questions, technical questions, and installation/use rights. Our team of experts offers guidance and directs customers to the correct location on a manufacturer website to obtain installation training, instructions, and industry best practice. Our ability to quickly provide this guidance is a value to getting the most out of the software once purchased.

Online Training

The current webinars/trainings offered by CDW•G are listed in the **Media Library** located by clicking on the Solutions tab on www.cdwg.com. The Media Library is dynamic, with new content updated monthly. In addition to webinars and video channels, there are helpful documents, including white papers, reference guides, data sheets, and reports.

CDW•G also offers website showcases for many of our software manufacturing partners, such as Microsoft. For example, the Microsoft Showcase is located at www.cdwg.com/Microsoft. The site provides customers with Microsoft-specific material, updated at minimum on a monthly basis. Additional resources for segment-specific material include our State Tech magazines (www.statetechmagazine.com) and Ed Tech Magazine (www.edtechmagazing.com/k12/), both to which interested agencies and schools can subscribe.

7. Value-Added Services

Requirement

7. A significant aspect of this service is to be Value-Added Services.

- 7.1 Describe how your company handles the complexities related to enterprise license agreements (e.g. Microsoft EA, Adobe CLP, etc.). Include how you assist customers (especially first time customers) through this process to ensure they are comfortable moving forward, and are knowledgeable about the agreements once they are complete?

Response

CDW•G understands that Enterprise Agreements (EAs) are often one of the most expensive IT costs a customer will incur during a year. It is our goal to ensure our customers are knowledgeable about the agreement and receive the most out of their investment as possible. Because of this, we have created the following EA contract management process, which has become a proven methodology in helping manage state software contracts over the years.

Requirement

- 7.2 Describe how your company handles transitioning a group of customers from an account manager with whom they have built a relationship to an account manager who is new to them?
  - 7.2.1 How do you ensure that all of the customers' needs are met?
  - 7.2.2 How do you ensure the new account manager is given the resources necessary to be successful in the new role?

Response

CDW•G subscribes to a practice of **warm transfers** in regard to customer transition. The existing account manager will reach out to the customer and introduce the incoming account manager; behind the scenes, the incoming account manager will receive a full debrief from the existing, utilizing our internal tracking and monitoring system which manages individual account history. Customer accounts transfer to tenured, experienced dedicated account resources, often already possessing familiarity with the customer and who have completed approximately six months of in-depth sales training. Nearly a quarter of our AMs have been with CDW for more than 10 years.

Requirement

- 7.3 Describe the training available regarding the use of this contract and how to obtain best value from it, other than on-line tutorials.

Response

CDW•G provides a variety of value-added training options. Many times, we offer these options in tandem with our publisher partners. For example, CDW•G works closely with Microsoft to directly engage and educate customers via phone, online, and in-person seminars and educational events. Microsoft and CDW•G work together to present information to customers and respond to their questions. CDW•G is open to all options, both remote and onsite, as well as at CDW•G facilities to meet NASPO ValuePoint customer needs. We also offer the unique Microsoft Education Center, which presents a hands-on experience to our customers who want to test out new Microsoft products and software.

For all other solutions, CDW•G offers our Technology Experience Center, which allows customers to try out a demo of the software outside of their own environment, make software comparisons, and explore the latest innovations to see if that product will help achieve the customer's business goals.

Requirement

- 7.4 Explain what unique Value-Added services your Company will make available under a resultant contract. State whether they are to be provided at no cost. If there are costs, identify these costs on the applicable Pricing Sheet in the Cost Section.

Response

CDW•G does not compete on price alone. As a vendor-agnostic solution provider, pre-sales recommendation support from our knowledgeable account teams and software specialists will always be an unparalleled differentiator when compared against our major competitors. We are the leading reseller to multiple named publishers in this RFP, including key itemized Microsoft, VMware, and Adobe. Our close partnerships mean we receive competitive price offers and early notifications regarding product changes, allowing the account managers serving NASPO ValuePoint members to keep their customers apprised of new product releases, version and price changes, and more in a timely manner.

Our ability to serve NASPO ValuePoint customers participating in this contract is exponentially heightened by the myriad value-added benefits we provide **at no cost**. These benefits include, but are not limited to, the following:

NO COST Value-Added Benefits for NASPO ValuePoint		
Benefit	**Cost**	**Description**
Solution Consultation Services	**FREE**	*Savings: over $250/hour* Inside Solution Architects (ISAs)—technology and product experts—vet complex solutions, arrange product demos, webinars, and information documentation
Solution Design Services	**FREE**	*Savings: over $300/hour* Field and inside engineers available for onsite access to customer environments, conduct assessment, provide technology-needs analysis
Threat Check	**FREE**	*Savings: $3,000-5,000 per assessment* Passively monitors networks for unknown malware, alerts customers to active and installed malware, provide customized plan for remediation
Partner Assisted Grant Help	**FREE**	AMs assist with learning about available resources for segment-specific grant-finding processes
eProcurement Integration Services	**FREE**	Dedicated team integrating customer ePro systems for punch-out, PO delivery, eInvoicing, quote retrieval, order, and more
K–12 Consulting	**FREE**	*Savings: over $250/hour* Former educators and educational technologists work as strategists to guide schools through high-access implementation and develop long-term adoption success plans
Digital Age Teaching and Learning Webinars	**FREE**	*Savings: over $125 per attendee* CDW·G's Education Strategy Team conducts series of three one-hour webinars on latest technology trends in education

NO COST Value-Added Benefits for NASPO ValuePoint		
Benefit	**Cost**	**Description**
Track and Communicate CDW•G Software Webinars	**FREE**	CDW·G advertises to all contract holders and end users for webinars pertinent to COTS software on NASPO ValuePoint contract
Technical Trainings	**FREE**	*Includes two (2) trainings per calendar year* WebEx trainings specific to this contract, scheduled 60 days in advance on pertinent software (approx.. 30+ hours of CDW·G backend planning/work for each session0
CDW•G Blog	**FREE**	All interested parties under the contract will receive our Solutions Blog: blog.cdw.com; internal engineers and SMEs write to relevant IT topics
Partner-Funded Programs	**FREE**	Leverage CDW·G relationship with key OEMs to get business development funds for projects users are potentially unable to fund independently
Marketing & Social Media	**FREE**	CDW·G collaboratively creates marketing materials and events with each participating state to promote adoption of contract
Technology Roadmapping Sessions	**FREE**	*Valued at $1,000, one per year* Held by request with key software publishers and state customers, proctored by CDW·G sales teams

Other **free** benefits include access to CDW-badged product specialists, dedicate contract expert resources, Media Library access, and *free eligibility for state customers* interested in the Microsoft Rapid Deployment and Technology Adopter programs.

Each participating state's specific account team offers additional value-added benefits, in terms of personnel and expertise, at no cost to the customer. These personnel include software licensing specialists, licensing account executives, pre-sale system engineers, software manufacturer representatives, and dedicated renewals specialists, program managers, account managers, and account executives.

Snow License Management

There are more comprehensive options for software license management outside of the Account Center website and your CDW·G account team. Automated tools such as Snow Software's License Manager can identify every piece of software in a NASPO ValuePoint member's IT systems and match them to licenses, reducing risk, cost, and complexity often found in typical software management. At this time, there are **282,800 software applications automatically recognized by Snow** through its Software Recognition Service (part of the License Manager solution). For NASPO ValuePoint members, CDW·G will provide a Snow Software Proof of Concept software assessment in order to understand and agency's current environment **at no cost**. The Proof of Concept includes the following:

- Detailed inventory collection via Snow or using existing inventory tools (e.g., SCCM)
- Software metering via Snow to understand usage
- In-depth analysis of up to five Windows-based applications
- Business-case documentation illustrating compliance, usage, risk areas

8. Customer Support

Requirement

8. Explain how your Company will:
   - 8.1 Retain publisher certification levels and improve on them.

Response

CDW•G holds the top certification levels with most major software publishers. Each of these publishers has a stringent set of criteria that must be met in order to hold this certification. Often included in this set of criteria are certification requirements for individual employees, such as sales teams, engineers, and licensing specialists. Moreover, a reseller is only as reliable as the coworkers directly serving their customers. Therefore, we have described our process for both CDW•G as a company, and the process we follow to ensure our coworkers acquire and maintain the necessary certifications to support our customer base.

CDW•G Company Certifications

CDW's Product and Partner Management team manages all aspects of our partner relationships. One of the group's primary goals is to optimize partner relationships. Included in the duties supporting this goal is the management, tracking, and administration of partner certifications across CDW•G. They work with our publisher partners to ensure we continue to meet the requirements for our certifications. If we have not reached the top certification level, they are actively engaged in monitoring and engaging the teams needed to help meet those additional requirements to reach the next certification level.

Coworker Certifications

We require our sales coworkers to acquire and maintain specific partner certifications. When an account manager wants to move up in their role, say from an account manager to a senior account manager, there are additional certifications we require them to obtain. This methodology ensures our coworkers continue to be experts in the solutions they are selling. To give insight into the depth of our bench of certified coworkers, we include a few examples of CDW's total certifications for some of our publisher partners:

- **VMware:** 1,300+ VMware Sales Professional Accreditations (VSPs)
- **Microsoft:** 740+ coworker certifications
- **Adobe:** 800+ sales-specific Adobe certifications
- **Symantec:** 2,590 total coworker certifications

Additionally, CDW•G compliments some of our partner certifications with CDW-designed training for our partners, such as Microsoft, which provides more in-depth knowledge than the partner created training.

Requirement

- 8.2 Work to reduce costs to obtain publisher products?

Response

Two major differentiators to the CDW•G business model are tools that streamline processes and the vast number of resources we dedicate to supporting our customers.

Conventional thinking might disagree considering high-touch service and investments in cutting-edge methods as cost saving attributes. However, we have repeatedly demonstrated on agreements similar to the NASPO ValuePoint software contract that our differentiators are true drivers to reducing costs; all while adding value that our competitors fail to replicate.

Holding a high certification level with a publisher partner provides resellers access to favorable pricing, tools and resources, including vendor incentive programs, which resellers use to provide additional value to their customers. Because of our unique industry position and business model, CDW•G is often able to negotiate beyond these incentives because our partners see the value we offer: a cost-effective way to get their solutions to their customers.

Other resellers may offer a streamlined purchasing process or a long list of personnel, but very few offer both, and even fewer in the capacity that CDW•G offers. Our systems support the coordination and synchronization demands that are required to keep costs under control for customers, supplier/OEM partners, and CDW•G. When coupling partner savings with the sheer volume of products CDW•G procures for our customer base, it is easy to understand how we can negotiate additional savings and value adds to pass on to our customers.

We provide a unified customer experience, routing every customer-initiated interaction to a named account manager. Our tools and support are designed around this central concept. Our customer-facing technologies, supply chain tools, and ordering processing system are one in the same.

This innovative system provides the customer transparency to the purchase process, reduces order errors, and allows us to manage the complexities of our large distribution channel.

Simply put, we provide logistical capabilities typically attributed to distributors, while also providing support staff that greatly reduces the customer issues escalated to the partner. In turn, partners pass savings on to our customers with more aggressive discounts.

Our software services team further drives software cost reductions. Instead of pointing our customers to a web tool to manage their licenses or a blog post to understand a software solution, we support them with a software services team. These individuals are helping customers in leveraging software benefits, ensuring customers are using the appropriate level of licensing, and helping to understand if cloud solution really is cost-effective for customers' specific needs.

Requirement

- 8.3 How does your Company respond to customer complaints and service issues?
- 8.4 What is your Company's escalation process?

Response

We always direct customers first to their AM to assist with complaints and service issues. CDW•G also provides NASPO ValuePoint customers access to our US-based customer relations department as a value-added service. This support is available 7am-9pm CST, Monday through Friday. For sales-specific issues, our government and education sales support team is available Monday through Friday, 7am-6pm CST.

The four **no-cost** general levels of support available to NASPO ValuePoint customers are the following:

- **Customer Relations.** 866.782.4239 (M-F, 7am-9pm CST); online chat (M-F, 7am-6pm CST; customersupport@cdw.com
- **Government and Education Sales.** 800.808.4239 (M-F, 7am-6pm CST); cdwgsales@cdwg.com
- **E-Support.** For website questions only: 888.239.7270 (M-Th, 7am-7pm CST; F, 7am-6pm CST); online chat (M-F, 7am-6pm CST); support@cdw.com
- **Technical Support.** 800.383.4239 (M-F, 7am-7pm CST); online chat (M-F, 7am-6pm CST); support@cdw.com

Additionally, for customers who have purchased Microsoft Office 365 through the CSP program, CDW•G offers 24/7/365 support at ManS-O365@cdw.com or 888.793.2480 (option #5). The above departments all work together to help resolve any issues which may arise. CDW•G aims to resolve all cases within 24 hours.

Escalation Process

If a NASPO ValuePoint member feels a request is not receiving proper attention, they can reach out directly to a sales manager to resolve the issue. For non-critical incidents, sales managers typically respond within four business hours; critical issues will be escalated as appropriate to the severity of the incident.

NASPO ValuePoint members should be confident this contract has the appropriate level of executive sponsorship within CDW•G. **David Hutchins** (VP, State & Local Sales) and **Tony Sivore** (Director, State & Local Sales) are both high-level points of contact focused on the success of this agreement. Both have extensive knowledge of tour government agreements and current NASPO ValuePoint reseller agreements. If an incident requires further escalation, our sales managers will quickly engage either Mr. Hutchins or Mr. Sivore, dependent on the subject of the incident. Mr. Sivore typically responds within one business day for non-critical issues; two business days for those escalated to Mr. Hutchins. If an issue arises with a manufacturer or distribution partner, both gentlemen have the best points of contact committed to quickly resolve these issues, as well.

9. Problem Resolution

Requirement

9.1 Problem Resolution: Scenario 1: Describe at least one recent situation where your Company made a major error that resulted in dire consequences for a customer. Detail the error and what changes your Company has made to avoid repeating the error in the future. In this situation, the problem is not solved in time to take care of the customer, and the customer is likely lost.

Response

One of our longtime customers, a Washington school district, worked with CDW•G to design their new networking system. After implementing the system, the school tasked us with implementing a policy platform for the network. Due to our solution architect's design error, the products purchased were not compatible with the network endpoints previously installed, and we could not properly implement the solution. The situation was a major error and could have resulted in the customer going elsewhere.

However, the CDW•G account team quickly reacted to remedy the error. We brought on additional engineers to redesign and implement the solution on-site, while the account team handled expediting the replacement product orders. We absorbed the resource and material costs required to meet all the originally agreed upon requirements. This major error also threatened to delay the project but our quick reaction allowed us to meet the initial deadline that we had committed.

The error also shook the customer's confidence in CDW•G's ability to fulfill the project. While the customer wavered in its decision to continue with us, they recognized our monumental effort to fix the mistake and offered a second chance. We made sure that they did not regret it and met their original implementation deadline without cutting any corners. Today, this customer is elated with their networking system and they continue to work with us for project design, to product fulfillment, to implementation and follow-up needs.

Lessons Learned

To mitigate future errors, CDW•G has our solution architects assigned to specific account teams. This ensures the same solution architects are designing all of the same customers' solutions, providing them intimate knowledge of the customers' systems. Additionally, this structure builds the solution architect/account team relationship, resulting in regular communication of important customer background information. This change in communication methodology allows the account teams and the solution architects to better anticipate customer needs and provide a greater level of customer service.

Requirement

9.2 Scenario 2: Describe at least one recent situation where your Company made a major error that had potential dire consequences for a customer. Detail the error and what was done to correct the situation. To what lengths did your Company go to take care of the customer? What changes (if any) did your Company make to avoid repeating the error in the future? In this situation, the problem is solved in time to take care of the customer, and the customer is likely not lost.

Response

Six years ago, the County Commissioners of Pennsylvania (CCAP) awarded CDW•G its Microsoft contract. Prior to CDW•G's award, CCAP had had been engaged with another provider. Due to CCAP's familiarity with the incumbent, CDW•G had to work closely with Microsoft and CCAP to ensure the success of the transition from the other vendor's services. This was a single award contract, and the contract implementation took place during the busiest month of the contract year.

The issue in this scenario was that it was not yet a part of our process for us to begin working with Microsoft immediately after the award of the contract to understand upcoming renewals and annual payments. We previously waited until Microsoft's Change of Reseller process was complete, and we were able to run reporting on our own. This resulted in many CCAP customers becoming nervous that their Microsoft Agreements would expire before we could renew them.

Fortunately, due to our Microsoft relationships and experience in managing Microsoft contracts, the detailed instructions we provided for completion of the contract implementation resulted in no lapsed agreements. Our ability to stay in close contact with Microsoft and CCAP proved to be critical to the overall success of the transition.

After going through a formal RFP process at the end of the original contract term, CCAP awarded their next Microsoft contract to CDW•G again.

This award was due to the successful implementation of our contract management methodologies and our contract implementation plan execution. In the past three years, CDW•G has maintained a 100 percent on-time renewal rate for expiring agreements on this contract. We continue to be successful because of our proactive touch points with the customer during the license management process, our understanding of their procurement processes, and our operational excellence.

Lesson Learned

From this transition, we learned that it is important to begin working with our partners immediately after the award of the contract to understand past, current, and future projects. We previously waited until the Change of Reseller process was complete and were able to run reporting on our own. Now, we start immediately and proactively communicate the plan to all constituents so that no one becomes concerned that their agreement may lapse.

Although this is an example that deals with Microsoft, the lessons learned are applicable to contracting as a whole. We learned that it is necessary to take preliminary steps before a contract goes into effect. This approach will be adopted as part of our methodology to ensure that any transition to NASPO ValuePoint contract is seamless to customers. This will be the tactic from the date of an award to CDW•G as a primary vendor for the NASPO ValuePoint contract.

10. Product Return Process

Requirement

Describe the proposed product return process in the following situations:

- 10.1 Scenario 1: Product was ordered. The order was filled and shipped correctly. After the order was accepted, AP discovered it ordered the wrong product and wants to return the product.

Response

In the context of this first scenario, a customer can submit an RMA request in a variety of methods: online via the website, via email or a call to their AM, or via the customer service team. The standard return period for all products purchased from CDW•G is 30 days from date of invoice.

Once the RMA request is processed, the customer receives an automated email with return instructions. Following receipt of the instructions, the customer ships the products back to our distribution centers with the shipping label they receive automatically.

Requirement

- 10.2 Scenario 2: Product was ordered. The order was filled and shipped. After the order was accepted, AP discovered the product delivered did not match the product that was ordered. AP would like to return the product.

Response

As in the previous scenario, the customer can submit an RMA request online, contacting their account manager, or reaching out to our customer service team. They receive product return instructions for processed RMAs via email. Following the instructions, the customer ships the products back to our distribution centers with the shipping label they receive automatically. The key exception is that in this situation, there are no restocking fees issued since the error was committed by CDW•G. The return period for all products purchased from CDW•G is 30 days from date of invoice.

As an option during either scenario, customers can take advantage of the Advanced Order Replacement (AOR) program. This is most often used when the customer receives a defective or DOA product and cannot wait for CDW•G to receive the defective one back before the replacement is sent out. This process ensures that the customer **receives the products they need as soon as a product is found to be DOA, incorrectly purchased, or incorrectly shipped**.

11. SVAR Performance

Requirement

Describe the process to be used to track and document the SVAR's performance, to include "Cost Savings" achieved, under this Contract. See Section 3: Scope of work, Items 3.5.3 and 3.5.4.

Response

Our systems record key information about order fulfillment time, quote, and order activity that can be aggregated by OEM or function, and pricing benchmarks. CDW·G contract support teams hold regular quarterly business reviews (QBRs) with many of our top customers to review activity, customer service levels, and savings under various program structures. NASPO ValuePoint customers and the LSCA will receive the same attention to detail.

CDW·G will establish a regular cadence for our contract professionals and key sales leaders to meet with purchasing operations, contract administration and other representatives of the Lead State, to review spend reports and actions implemented during the previous quarter, and to discuss possible improvements to be implemented during the coming quarter. Any known issues or escalations will be addressed, as well as the review of performance surveys.

Options to reduce costs, improve service, and enhance operability and future-proofing can also be determined during these QBRs. In our current contract reviews, we typically review the following: spend analysis, spend by product category (e.g., Security Software/Dbase Software/Network Management, Virtualization), spend by publisher, purchase method, and savings analysis, future forecasting, and new and emerging technologies.

Our goal is to maximize a customer's investments by giving our recommendations towards the best use of volume or enterprise license agreements, in addition to seeking ways that NASPO ValuePoint members can take advantage of publishers' promotions and incentives.

Attachment C: Cost Proposal

Requirement

Any narrative explanation of the Pricing Sheet forms is to be submitted as part of Attachment C—COST PROPOSAL. Offeror shall provide pricing that includes all costs associated with the responsibilities and related services, including but not limited to, freight and delivery, cost of materials and product, travel expenses, transaction fees, overhead, profits, and other costs or expenses incidental to the Offeror's performance.

Response

To confirm, CDW•G's offer **does not include** any "incidentals." There are no additional charges as described in the above requirement (e.g., freight and delivery, cost of materials and product, travel expenses). Presenting our pricing rationale, or "cost reasonableness," illustrates the transparency with which we will approach the negotiation of establishing a Master Agreement with NASPO ValuePoint.

CDW•G has the ability to provide thousands of software titles to NASPO ValuePoint members. Outside of the named Key Itemized publishers, many software OEMs only publish current Manufacturer's Suggested Retail Price lists (MSRPs) irregularly or infrequently, despite titles going end-of-life and new titles being listed.

Additionally, once an MSRP is published, the price points rarely change and are often not indicative of market pricing that is commonly available. This means a large discount off MSRP that may seem to be an ideal offer today can over time become non-competitive given normal product lifecycle and cyclical pricing declines common to the IT marketplace. In other words, the cost of IT products—including software—typically trend downward.

For this reason, our presented offer to your members is a cost-plus model over CDW•G Sim Cost, which is *the standard acquisition cost associated with the inventory of product, but also including the management costs with procuring, warehousing, and distributing the inventory*. This model enables members to achieve the greatest long-term cost savings. The advantage of this dynamic pricing model is that **as our acquisition cost is reduced, the price to the customer is reduced accordingly**. Once loaded into our contract management system, price changes trigger automatically to the customer's CDW•G website (described in **Attachment B**) and EDI pricing without manual intervention.

Aligning with the primary objective of this RFP—to obtain best value and more favorable pricing for participating members than can be achieved independently—CDW•G strives to simplify the complexities of technology procurement across selection, integration, and management for customers large and small, acting as an extension of their IT staff. Upon award, CDW•G will continually seek out savings to offer NASPO ValuePoint members, as well as providing unmatched stewardship and service to this contract.

ATTACHMENT C1 - PRICING SUBMISSION SHEET

NASPO VALUEPOINT

SOFTWARE VALUE-ADDED RESELLER (SVAR)

	PUBLISHERS Proposer must be certified as a direct reseller for all Key Itemized publishers. Direct reseller certification is preferred for Other Itemized publishers	MARKUP/DOWN The price to Authorized Purchaser (AP) is calculated using the following formula: "Reseller Cost" + ("Reseller Cost" x "Markup/down")
KEY ITEMIZED	ADOBE	0.97%
	CITRIX	0.97%
	MICROSOFT	-1.26%
	NOVELL	0.97%
	SYMANTEC	0.97%
	VMWARE	0.88%
OTHER ITEMIZED	AI SQUARED	2.20%
	AIRWATCH MOBILE DEVICE MANAGEMENT VMWARE	1.13%
	ALLIANCE ENTERPRISES	2.20%
	APPLE	2.20%
	ATTACHMATE – MICROFOCUS	1.25%
	AUTODESK	2.20%
	AUTONOMY – HP	2.20%
	BAKBONE – DELL	1.13%
	BARRACUDA	2.20%
	BOMGAR REMOTE SOFTWARE	0.75%
	CA TECHNOLOGIES	2.20%
	CISCO	2.20%
	COMPUTRONIX USA	1.13%
	COMPUWARE	2.20%
	COREL	2.20%
	DOUBLETAKE	2.20%
	EMC	2.20%
	ENCHOICE	2.20%
	ESET	2.20%
	ESRI	2.20%
	FREEDOM SCIENTIFIC	2.20%
	GUARDIAN EDGE – SYMANTEC	2.20%
	GW MICRO	2.20%
	IBM	2.20%
	ICM CONVERSIONS	2.20%
	INFOR	2.20%
	INTERMEDIX EMSYSTEMS	2.20%
	HP	2.20%
	HUMANWARE	2.20%
	INFORMATION BUILDERS	2.20%
	KRONOS SOFTWARE	2.20%
	LANDESK	2.20%
	LASERFISCHE	2.20%
	LIQUIDWARE STATUSPHERE	2.20%
	MICROFOCUS INC	2.20%
	MINJET	2.20%
	MPS	2.20%

PROPOSER INSTRUCTIONS:

Enter a percentage markup or markdown for each line in column D. This is the markup/down at which proposer is offering to provide the stated publishers' titles. Percentages may be listed to two decimal points.

ATTACHMENT C1 - PRICING SUBMISSION SHEET

NASPO VALUEPOINT

SOFTWARE VALUE-ADDED RESELLER (SVAR)

MQSOFTWARE – BMC SOFTWARE	2.20%
NCIRCLE	0.00%
NETOP	1.25%
NUANCE	2.20%
ORACLE	2.20%
OSAM	2.20%
PASSPORT	1.25%
PATCHLINK	1.25%
PROOFPOINT	2.20%
RSA SECURITY	2.20%
REFERENCIA SYSTEMS	2.20%
SAP AMERICA	2.20%
SAS	1.25%
SOLUTIONS SOFTWARE	1.13%
SOPHOS	2.20%
SPLUNK SOFTWARE	2.20%
STASEEKER NETWORK INFRASTRUCTURE MONITORING	2.20%
STELLENT – ORACLE	1.25%
SUNGUARD	1.13%
SYBASE	1.25%
TECHSMITH	1.25%
TREND MICRO	1.25%
TRUSTWARE	0.25%
ULTRABAC	1.13%
VORMETRIC	1.13%
WEBSENSE	0.88%
any other non-listed publisher	2.20%

Executive Summary

Requirement

Attachment D-Executive Summary should highlight the major features of the Offer. Briefly describe the Offer in no more than two (2) pages. The reader should be able to determine the essence of the Offer by reading the Executive Summary. Any requirements that cannot be met by the Offeror must be included.

Response

The NASPO ValuePoint Cooperation Purchasing Program is the standard of excellence by which public cooperative contracting is measured in the United States. With 3,901 participating addenda, NASPO ValuePoint encourages competitive vendors to offer **the most innovative technologies at the best value**. CDW Government LLC (CDW·G), as the nation's leading IT solution provider, is ideally positioned to serve as a primary software value-added reseller (SVAR) for all participating states.

Qualifications

Our capabilities extend beyond those of the typical SVAR, with dedicated public sector account managers, knowledgeable field executives, experienced program managers, and qualified engineers providing targeted, streamlined assistance to individual customers. These personnel are here to serve, in person, on the ground, and from the warehouse.

Specifically, our Software Licensing Support Team ensures that purchases are scalable and complementary to existing customer systems. This team includes over 85 licensing specialists, 250 systems engineers, and 45 account executives—all experienced in helping agencies choose and use the best possible software solution available.

CDW·G is built upon **a foundation of strategic partnerships**, including the listed key and secondary software publishers named in the RFP. Microsoft®, Adobe®, VMware®, Citrix®, and Symantec™ are only a few of the brands we offer. Our extensive catalog gives participating entities the luxury of choosing the best commercial-off-the-shelf software products tailored to their needs, be it state and local government, K-12, or higher education.

Methodology

License management is an integral component of our methodology. Through our account teams, licensing specialists, **free** customized websites, timely reporting, and quarterly reviews, CDW·G eases the burden of managing software licenses and maintains frequent communication to alert users of updates, renewals, and new products without prompting.

A good solution begins with good people. CDW·G software engineers provide NASPO ValuePoint customers with design and consultative services at no additional charge. Other no-cost services offered to participating state agencies include threat checks, roadmapping, integration services, grant assistance, and software webinars.

NASPO ValuePoint | Software Value-Added Reseller Services

Exceptions to Contract Requirements

CDW Government LLC ("Contractor" or "Reseller") proposes the following changes to the terms and conditions. Insertions are underlined and deletions are stricken through. All other proposals are indicated in **bold**. Explanations are in *comments*. These proposals are for the State's review and input. Notwithstanding what is stated in the RFP, Reseller shall not be bound to any terms and conditions of the RFP or to any contract related to the RFP until or unless: (i) the State confirms in writing its acceptance of these deviations as fully incorporated therein; or (ii) authorized representatives of both parties execute a written contract that is separate from the RFP.

Section 3: Scope of Work

3.2.1.6.1 The Reseller must agree that there are no software publishers with whom, absent just cause, they will refuse to do business…[*remainder as written*]

3.2.1.8.3 **Notwithstanding what is stated in this section, Reseller proposes all returns are subject to the manufacturer's then-current return policy.**

3.4.1 Training, if offered by manufacturer, shall be available in the form of tutorials for basic installation and web-based training for software operation, basic phone support.

3.4.2 If offered by manufacturer, ~~P~~provision of information on how to access a Software Publisher's "Help Desk" (either telecom or web-based) for basic use questions.

3.4.5.1 Upon written request from the State, Reseller ~~is expected to~~ will conduct quarterly reviews of all sales volumes and report sales figures and savings from Publisher's list price, by Publisher and by PA, as well as observed trends or purchasing patterns, and to present the information to the LSCA.

Section 4: NASPO ValuePoint Master Agreement Terms and Conditions

1. **Notwithstanding what is stated in this section, Contractor proposes that its response to the Solicitation take precedence over all other documents forming the Master Agreement to ensure the exceptions contained herein have binding effect.**

14.b.(2) The Indemnified Party shall notify the Contractor within a reasonable time … [*language as written*] … in the pursuit of the Intellectual Property Claim. ~~Unless otherwise agreed in writing, this section is not subject to any limitations of liability in this Master Agreement or in any other document executed in conjunction with this Master Agreement.~~

NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, CONSEQUENTIAL, PUNITIVE, OR SPECIAL DAMAGES. IN THE EVENT OF ANY LIABILITY INCURRED BY CONTRACTOR OR ANY OF ITS AFFILIATES HEREUNDER, THE ENTIRE LIABILITY OF CONTRACTOR AND ITS AFFILIATES FOR DAMAGES FROM ANY CAUSE WHATSOEVER WILL NOT EXCEED THE GREATER OF: (A) THE DOLLAR AMOUNT PAID BY THE LEAD STATE, PARTICIPATING ENTITIES, OR PURCHASING ENTITIES FOR EITHER THE SPECIFIC PURCHASED ITEM(S) GIVING RISE TO THE CLAIM; OR (B) $2,000,000.00.

17.b.1 Policy shall include bodily injury, property damage, and ~~broad form~~ contractual liability coverage.

17.d Prior to commencement of performance, Contractor shall provide to the Lead State a written endorsement to the Contractor's general liability insurance policy or other documentary evidence acceptable to the Lead State that (1) ~~names~~ includes the Participating States identified in the Request for Proposal as additional insureds, (2) provides that the General Liability policy shall by blanket endorsement by contract give a thirty (30) days prior written notice of cancellation if any of the additional described policies are cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions ~~no material alteration, cancellation, non-renewal, or expiration of the coverage contained in such policy shall have effect unless the named Participating State has been given at least thirty (30) days prior written notice~~, and (3) … [*remainder left intact as written*]

23. Payment for completion of a contract order is normally made within 30 days following the date ~~the entire~~ any partial order is delivered or the date a correct invoice is received, whichever is later. [*remainder as written*]

31. Notwithstanding the foregoing, title to third party software, the licenses to which are resold by Contractor, will remain with the third party. Purchasing Entity's rights in such software are specified in the license agreement between such third party and Purchasing Entity. ~~Upon Acceptance by the Purchasing Entity, Contractor shall convey to Purchasing Entity title to Product consisting of tangible media free and clear of all liens, encumbrances, or other security interests.~~

Section 5: Lead State (State of Arizona) Terms and Conditions, 5.1 State of Arizona Special Terms and Conditions

O. The Materials and services supplied under this Contract shall comply with all applicable Federal, state and local laws, and the Contractor shall maintain all applicable licenses and permit requirements.

Contractor represents and warrants to the State that Contractor has the skill and knowledge possessed by members of its trade or profession and Contractor will apply that skill and knowledge with care and diligence so Contactor and Contractor's employees and any authorized subcontractors shall perform the Services described in this Contract in accordance with the Statement of Work.

~~Contractor represents and warrants that the Materials provided through this Contract and Statement of Work shall be free of viruses, backdoors, worms, spyware, malware and other malicious code that will hamper performance of the Materials, collect unlawful personally identifiable information on Users or prevent the Materials from performing as required under the terms and conditions of this Contract.~~

X. 1.5. Applicable to all General Liability insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. If any of the additional described policies are cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to (State Representative's Name, Address & Fax Number).

BB. Contractor access to State facilities and resources …with an unlawful breach or harmful access committed by Contractor shall be paid by the Contractor.

5.2 State of Arizona Uniform Terms and Conditions

2. **Notwithstanding what is stated in this section, Contractor proposes that its response to the Solicitation or Proposal take precedence over all other contract documents to ensure the exceptions contained herein have binding effect.**

3.7. Subject to third party licensing limitations, ~~A~~any materials, including reports, computer programs and other deliverables, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State. The Contractor shall maintain ownership of its pre-existing work.

3.8. Subject to third party licensing limitations, ~~A~~a and all intellectual property, including but not limited to copyright, [*language as written*] … of the State of Arizona requesting the issuance of this contract. The Contractor shall maintain ownership of its pre-existing work.

Comment [TB1]: Before services are to be performed, Reseller will create a Statement of Work ("SOW") detailing the exact scoping and pricing of the services to be provided, which will be executed by both parties prior to the start of services. The SOW will reflect the terms and conditions as negotiated between the parties during the bidding and contracting process.

Comment [TB2]: *Explanation - Reseller takes pride in screening its suppliers for liquidity and longevity and therefore proposes the following clarification:*

Comment [TB3]: *Explanations - Reseller, acting as a reseller and not the manufacturer of any proposed products and software, proposes the following clarifications, which apply to the remaining sections:*

Comment [TB4]: *Explanations - Reseller, acting as a reseller and not the manufacturer of any proposed products and software, proposes the following clarifications, which apply to the remaining sections:*

Comment [TB5]: *Explanations - Reseller, acting as a reseller and not the manufacturer of any proposed products and software, proposes the following clarifications, which apply to the remaining sections:*

Comment [TB6]: *Explanations - Reseller, acting as a reseller and not the manufacturer of any proposed products and software, proposes the following clarifications, which apply to the remaining sections:*

Contract Amendment

Contract No.: ADSPO17-149774

Amendment No.: Five (5)

PAGE 1 OF 1

State of Arizona
State Procurement Office
100 N. 15TH Avenue, Suite 402
Phoenix, AZ 85007

CONTRACTOR:
CDW Government, LLC
230 North Milwaukee Ave
Vernon Hills, IL 60041

CONTACT: Jason Schwartz
PHONE: (847)419-7542
EMAIL: JasonS@cdw.com

STATE AGENCY:
AZ Department of Administration
State Procurement Office
100 N. 15th Avenue, Suite 402
Phoenix, AZ 85007

CONTACT: Eric Bell
PHONE: (602) 542-8921
EMAIL: eric.bell@azdoa.gov

Software Value Added Reseller (SVAR)

Pursuant to Exhibit C, of the State of Arizona's Participating Addendum to the Master Agreement No. ADSPO16-130652, State of Arizona Uniform Terms and Conditions, Paragraph 5, Contract Changes, 5.1 Amendments, the above referenced Contract shall be amended as follows:

1. The term of this contract is hereby extended through April 7, 2021.
2. All other terms, conditions and provisions remain unchanged.

This Contract Amendment is not binding against the State of Arizona unless signed by an authorized representative of the Contractor and then accepted in writing by an authorized representative of the State.

Contractor hereby acknowledges receipt and understanding of the above amendment.	The above referenced contract amendment is hereby executed this date by the State.
3-6-2020	3/6/2020
Signature / Date	Signature / Date
Robert F. Kirby, President	Eric Bell State Procurement Manager
Printed/Typed Name and Title	

8. D.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Tiffany Antol, Planning Director
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Approval of Final Plat: A request by Jon Gauld for Oak 24, a subdivision of two multi-family residential lots on approximately 16,210 square feet located at 24 W Oak Avenue within the High Density Residential (HR) zone.

STAFF RECOMMENDED ACTION:

Staff recommends approving the final plat with the conditions outlined in the staff summary and its attachments, and authorizing the Mayor to sign the final plat when notified by the Development Review Board that all conditions have been met and documents are ready for recording.

Executive Summary:

This request is for a two-lot subdivision of a parcel that is currently developed with four detached residential units and one stacked duplex for a total of six units in the High Density Residential (HR) zone located at 24 W Oak Avenue. This request to divide the existing parcel into two lots would usually be approved administratively as a minor land division; however, the configuration (flag lot) of one of the proposed lots can only be approved through the subdivision process. The property owner is requesting this plat to assist in their efforts to refinance the property.

Financial Impact:

No financial liabilities are anticipated by the approval of this Final Plat.

Policy Impact:

There are no policy impacts affiliated with this Final Plat.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Livable Community
Support the development of attainable and accessible housing.

Regional Plan

Goal LU.1 Invest in existing neighborhoods and activity centers for the purpose of developing complete, and connected places.

Has There Been Previous Council Decision on This:

No previous City Council decisions have been made regarding the subdivision of Oak 24.

Options and Alternatives:

1. Approve the final plat as recommended by staff.
2. Approve the final plat subject to conditions.
3. Deny the final plat based on non-compliance with the Zoning Code, the Subdivision Code, and/or the Engineering Design Standards and Specifications for New Infrastructure.

Background/History:

The subject property contains a historic home built approximately in 1915. Further development of the property began in 2008 when the property owner added two detached residential units. These first two units were followed up with three additional units in 2011, along with all the required public improvements for multi-family residential projects. Each unit is somewhat different, but all have a "Modern Miner" architectural style, with the use of shed roofs, corten steel and concrete board siding, painted in colorful schemes with galvanized culvert used for piers to support decks and overhangs.

Proposed lot A will be 6,392 square feet and will maintain two detached units. The east building is a two bedroom, one and one-half bath two-story unit with a full kitchen and living spaces within a total of 1,040 square feet. The height of this building is 25 feet. The west building is a one bedroom, one bath unit with a full kitchen and living space, over a two-car garage. The total square footage of this unit is 400 square feet and the height is 26 feet. A total of five parking spaces are provided for these two units.

Proposed lot B will be 9,818 square feet and contains a stacked duplex, with each unit consisting of one bedroom, one bath, a full kitchen, and living space, with a total of 440 square feet per unit, and a height of 27 feet. An additional unit sits to the east, which consists of 440 square feet with one bedroom, one bath, full kitchen, and living space located over a two-car garage and a height of 25 feet. The original home is 1,576 square feet in size, and is a two bedroom, one and three-quarters bath, with a kitchen and living space and a height of 14 feet. A total of seven parking spaces are provided for these units.

Key Considerations:

This application is being processed in accordance with the established modified subdivision standards found within Section 11-20.90 of the Subdivision Code, which states that when a subdivision contains four or fewer lots, the modified subdivision may be utilized and that the requirement for Planning Commission review of a preliminary plat may be waived at the request of the subdivider. To accomplish this request, staff follows the final plat process outlined Section 11-20.70.030.F of the Subdivision Code, which states that upon receipt of a final recommendation from the Community Development Director and City Engineer, the City Council shall review the final plat for final approval. Final approval indicates that the plat meets the requirements of the Zoning Code, the Subdivision Code, and the Engineering Design Standards and Specification for New Infrastructure.

Community Involvement:

Inform

The subject property's existing zoning allows for the proposed subdivision. No public hearing or public outreach is required as part of the City Council's review of a final plat.

Attachments: Application
Oak 24 Final Plat Sheet 1
Oak 24 Final Plat Sheet 2

City of Flagstaff

Community Development Division

211 W. Aspen Ave
Flagstaff, AZ 86001
www.flagstaff.az.gov
P: (928) 213-2618
F: (928) 213-2609

SUBD

Application for Subdivision Review

Date Received		File Number

Property Owner(s) Jon Gould		**Phone** 814-8008
Mailing Address 24 W. Oak	**City, State, Zip** Flagstaff AZ 86001	**Email** PPiJP.65@gmail.com
Applicant(s) Mogollon Engineering		**Phone** 214-0214
Mailing Address 411 W. Santa Fe	**City, State, Zip** Flagstaff AZ 86001	**Email** mogollon99@aol.com
Project Representative Mogollon Engineering		**Phone**
Mailing Address	**City, State, Zip**	**Email**

Requested Review:
- ☐ Development Master Plan
- ☐ Conceptual Plat
- ☐ Preliminary Plat P&Z and Council
- ☐ Modified Subdivision
- ☐ Preliminary Plat
- ☒ Final Plat- Council

Project Name: Oak 24	**Site Address** 24 W. Oak	**Parcel Number** 110-07-071
Proposed Use res	**Existing Use** res	**Subdivision, Tract & Lot Number** mt. Elden Addition, Block 12, E½ 21&22
Zoning District HR	**Regional Plan Category** Suburban	**Flood Zone** X / **Size of Site (Sq. ft. or Acres)** 16210 s.f.

Property Information:
- ☐ Yes ☒ No Located in an existing Local/National Historic District? (Name:_____)
- ☒ Yes ☐ No Existing structures are over 50 years old at the time of application?
- ☐ Yes ☒ No Subject property is undeveloped land?

Surrounding Uses (Res, Com, Ind)	North	South	East	West
	res	res	res	res

Proposed Use:	Number of Lots	Number of Units	Number of acres per use	Building Square Feet
res	2	6	0.6 ac/unit	4722

Please complete a *"Subdivision Review Application"* and provide an initialed *"Application and Information Checklist"* form along with the required number of plans and information as appropriate for a Development Master Plan, Conceptual, Preliminary or Final Plat. **Incomplete submittals will not be scheduled.**

Property Owner Signature: (required)	Date:	Applicant Signature:	Date:
	7/29-2020		8/4/20

For City Use

Date Filed:	**Case Number (s)**	
P & Z Hearing Date:	**Publication and Posting Date:**	
Council Hearing Date:	**Publication and Posting Date:**	
Fee Receipt Number:	**Amount:**	**Date:**

Action by Planning and Zoning Commission:	Action By City Council:
☐ Approved	☐ Approved
☐ Denied	☐ Denied
☐ Continued	☐ Continued

Staff Assignments	Planning	Engineering	Fire	Public Works/Utilities	Stormwater

CITY OF FLAGSTAFF
FINAL PLAT
FOR
OAK 24

LOCATED IN THE SW1/4 OF SECTION 10,
TOWNSHIP 21 NORTH, RANGE 7 EAST, G&S.R.M.
FLAGSTAFF, COCONINO COUNTY, ARIZONA

DEDICATION:

STATE OF ARIZONA }
COUNTY OF COCONINO } SS.

KNOW ALL MEN BY THESE PRESENTS: JONATHAN W. GAULD, HEREBY PUBLISHES THIS PLAT AS AND FOR THE PLAT OF OAK 24, A SUBDIVISION OF LOT 22 & THE EAST HALF OF LOT 21 OF BLOCK 12, THE MT. ELDEN ADDITION BOOK 1, PAGE 43, RECORDS OF COCONINO COUNTY. LOCATED IN THE SW1/4 OF SECTION 10, TOWNSHIP 21 NORTH, RANGE 7 EAST, G. & S.R.M., FLAGSTAFF, COCONINO COUNTY, ARIZONA, AS SHOWN PLATTED HEREON, AND HEREBY DECLARES THAT SAID PLAT SETS FORTH THE LOCATIONS AND GIVES THE DIMENSIONS AND MEASUREMENTS OF THE LOTS CONSTITUTING SAME AND THAT EACH LOT SHALL BE KNOWN BY THE NUMBER OR NAME GIVEN TO EACH RESPECTIVELY ON SAID PLAT AND HEREBY DEDICATES EASEMENTS AS SHOWN ON SAID PLAT FOR THE PURPOSES SHOWN.

IN WITNESS WHEREOF: JONATHAN W. GAULD, HAS CAUSED ITS NAME TO BE SIGNED AND THE SAME TO BE ATTESTED BY THE SIGNATURE OF ITS REPRESENTATIVE, THEREUNTO AUTHORIZED.

DONE AT _____, ARIZONA, THIS _____ DAY OF _____ 20____,

BY: _____
JONATHAN W. GAULD

ACKNOWLEDGMENT:

STATE OF ARIZONA }
COUNTY OF COCONINO } SS.

ON THIS THE _____ DAY OF _____ 20____, BEFORE ME, THE UNDERSIGNED PERSONALLY APPEARED, JONATHAN W. GAULD, EXECUTED THE FOREGOING INSTRUMENT FOR THE PURPOSE THEREIN CONTAINED.

IN WITNESS WHEREOF: I HEREUNTO SET FORTH MY HAND AND OFFICIAL SEAL.

_____
NOTARY PUBLIC

MY COMMISSION EXPIRES: _____

CITY OF FLAGSTAFF:
IT IS HEREBY CERTIFIED THAT THIS PLAT HAS BEEN OFFICIALLY APPROVED FOR RECORD BY THE COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA ON THE

_____ DAY OF _____, 20____

BY: _____
MAYOR

ATTEST: _____
CITY CLERK

IT IS HEREBY CERTIFIED THAT THIS PLAT HAS BEEN OFFICIALLY APPROVED FOR RECORD BY THE PLANNING DIRECTOR AND CITY ENGINEER, CITY OF FLAGSTAFF, COCONINO COUNTY, ARIZONA ON THE

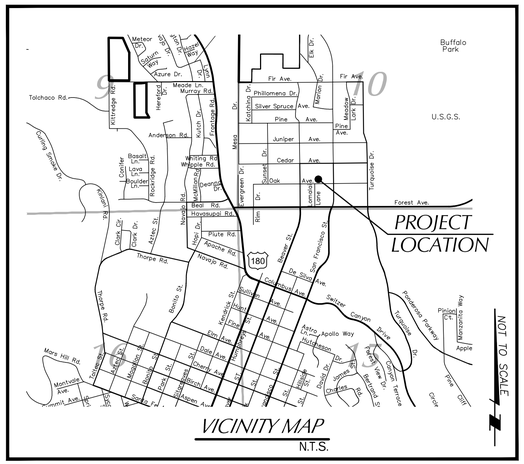
_____ DAY OF _____, 20____

BY: _____
PLANNING DIRECTOR

BY: _____
CITY ENGINEER

NOTES:

EXCEPT FOR CONSTRUCTION AND IMPROVEMENTS BY GOVERNMENTAL ENTITIES AND CERTIFIED PUBLIC UTILITIES, CONSTRUCTION AND IMPROVEMENTS WITHIN UTILITY EASEMENTS SHALL BE LIMITED TO ONLY THE FOLLOWING:
A. REMOVABLE WOOD, WIRE, OR SECTION-TYPE FENCING
B. CONSTRUCTION, STRUCTURES, OR BUILDINGS EXPRESSLY APPROVED IN WRITING BY ALL PUBLIC UTILITIES WHICH USE OR SHALL USE THE UTILITY EASEMENT.



REGISTERED LAND SURVEYOR
CERTIFICATE NO.
23950
KENT V. HOTSENPILLER
Date Signed
ARIZONA U.S.A.
Expires on 3/31/__

I HEREBY CERTIFY THAT THIS PLAT, AND THE SURVEY ON WHICH IT IS BASED, WAS PERFORMED AND PREPARED BY ME AND THAT IS IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

INDEX TO SHEETS

1 COVER SHEET & PROJECT INFORMATION
2 FINAL PLAT

PRELIMINARY
NOT FOR CONSTRUCTION OR RECORDING

UTILITY COMPANY ACKNOWLEDGMENT

UNISOURCE ENERGY	DATE
CENTURYLINK	DATE
ARIZONA PUBLIC SERVICE	DATE
SUDDENLINK	DATE

PROJECT INFORMATION

SUBDIVISION NAME:	MT. ELDEN ADDITION
ADDRESS:	24 W. OAK AVE. FLAGSTAFF, AZ. 86001
LOT NO.:	22 & THE EAST 1/2 OF 21
ASSESSORS PARCEL NUMBER:	110-07-071
TOTAL SQ. FT.:	16,210
TOTAL ACREAGE:	0.37213±
PARCEL "A" SQ. FT.:	6,392
PARCEL "A" ACREAGE:	0.14674±
PARCEL "A" BUILDING SQ. FT.:	920
PARCEL "A" LOT COVERAGE.:	14.4%
PARCEL "A" LOT DENSITY.:	13.6 UNITS / ACRE
PARCEL "B" SQ. FT.:	9,818
PARCEL "B" ACREAGE:	0.22539±
PARCEL "B" BUILDING SQ. FT.:	2,462
PARCEL "B" LOT COVERAGE.:	25.1%
PARCEL "B" LOT DENSITY.:	17.7 UNITS / ACRE
ZONING DISTRICT:	HR
FEMA DESIGNATION:	ZONE X
LOCATED WITHIN A R.P.O.:	NO
SETBACKS:	SIDE YARDS: 5' FRONT and REAR: 15'
OWNER/DEVELOPER:	JON GAULD 24 W. OAK AVE. FLAGSTAFF, AZ. 86001 (928) 814-8008

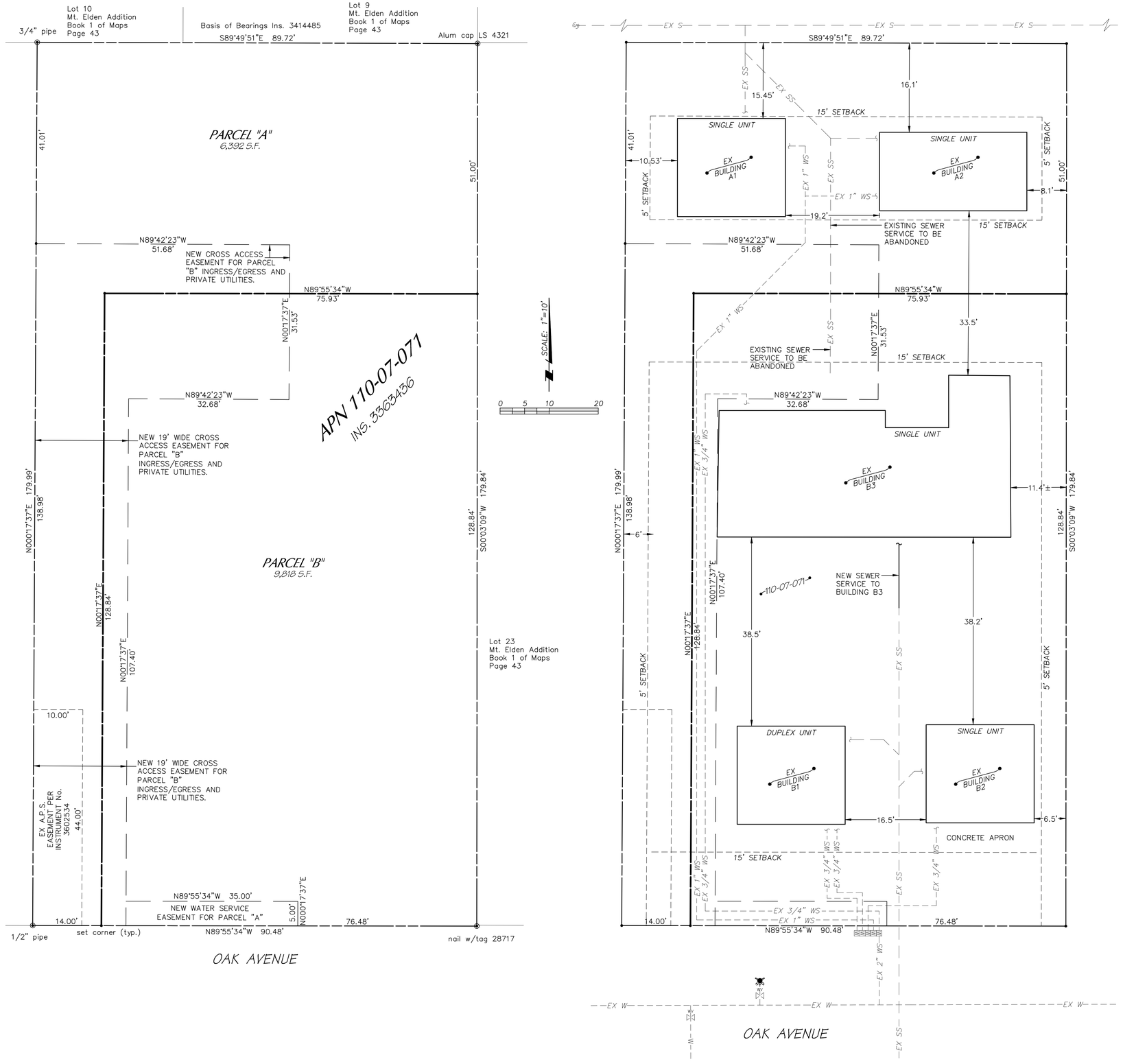
PRELIMINARY
NOT FOR CONSTRUCTION OR RECORDING

Mogollon Inc ENGINEERING &SURVEYING
411 W. Santa Fe Avenue
Flagstaff, Arizona 86001
Phone: 928-214-0214

OAK 24
FINAL PLAT
COVER SHEET & PROJECT INFORMATION
9/14/20
MES# 20348

DATE: 9/14/20
DESIGNED BY: MKE
DRAWN BY: MKE
CHECKED BY: KVH
PROJECT NO. 20348
FN: SHEET-01
VERT SCALE: N/A
HOR SCALE: 1"=10'
REVISIONS: COF 8/20/20
COF 9/10/20

SHEET NO. 1 OF 2
COF PROJECT # N/A



PRELIMINARY
NOT FOR CONSTRUCTION OR RECORDING

Mogollon Inc
ENGINEERING &SURVEYING
411 W. Santa Fe Avenue
Flagstaff, Arizona 86001
Phone: 928-214-0214

REGISTERED LAND SURVEYOR
CERTIFICATE
PRELIMINARY
NOT FOR CONSTRUCTION OR RECORDING
Registered
ARIZONA U.S.A.

9/14/20
MES# 20348

OAK 24
FINAL PLAT

DATE: 9/14/20
DESIGNED BY: MME
DRAWN BY: MME
CHECKED BY: KVH
PROJECT NO. 20348
FN: SHEET-02
VERT SCALE: N/A
HOR SCALE: 1"=10'
REVISIONS: COF 9/18/20

PRELIMINARY
NOT FOR CONSTRUCTION OR RECORDING

SHEET NO. 2 OF 2
COF PROJECT # N/A

8. E.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Genevieve Pearthree, Planning Development Manager
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Approval of Final Plat: Request by RP4V, LLC and RP40, LLC for approval of Rio Homes Unit 4 Final Plat, a 5.1-acre site located at 1221 E. Emma Dr. This Final Plat is an amendment (replat) to the original Rio Homes Final Plat recorded in 2005. The site is in the Medium Density Residential (MR) Zone and has a Resource Protection Overlay (RPO).

STAFF RECOMMENDED ACTION:

Staff recommends the City Council approve the Final Plat and authorize the Mayor to sign the plat and City Subdivider Agreement when notified by Staff that the documents are ready for recording.

Executive Summary:

The Final Plat for Rio Homes Unit 4 dated 8/4/2020 is an amendment of the original Final Plat created for Rio Homes, recorded 6/27/2005. The subdivision was intended to be a cohousing type of community and included a larger parcel intended for a common house. A variety of detached and attached residential building types were proposed. The subdivision is now intended to be a conventional multi-family development. There are currently 6 (six) units constructed on the parcel and this project proposes to add another 40 for a total of 46 units. The original Final Plat included 21 lots and 9 tracts. This Final Plat modifies the original Final Plat recorded in 2005 to create 12 lots and 3 tracts. Lots that have already been developed will be maintained. All other existing lots will be removed for the purpose of developing apartments. A vicinity map is attached.

Financial Impact:

No financial impacts are anticipated with this Final Plat.

Policy Impact:

There are no policy impacts affiliated with this Final Plat.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Council Goals

Economic Development - Grow and strengthen a more equitable and resilient economy.

Team Flagstaff Goals

Strategic Priority #4 - Work in partnership to enhance a safe and livable community.

Regional Plan
Policy LU.13.4. Plan suburban development to include a variety of housing options.
Goal NH.3. Make available a variety of housing types at different price points, to provide housing opportunity for all economic sectors.

Has There Been Previous Council Decision on This:

2002: City Council approved the Ordinance No. 2002-03, An Ordinance Authorizing the Sale of City Owned Real Property for Affordable Housing in the Rio Homes Development

2005: City Council approved the Rio Homes Final Plat.

2020: City Council approved the Rio Homes Unit 4 (Replat) Preliminary Plat on June 17th.

Options and Alternatives:

1. Approve the Final Plat with no conditions.
2. Approve the Final Plat with conditions.
3. Deny the Final Plat based on non-compliance with the Zoning Code, the Subdivision Code, and/or the Engineering Standards and Specifications for New Infrastructure.

Background/History:

The subject site is located on the north side of E. Pine Knoll Dr., a minor collector, east of Lone Tree Rd. On March 26, 2020, the Inter-Division Staff (IDS) approved a Site Plan for the proposed development of 40 new and 6 (six) existing detached and attached apartment buildings and associated parking. On June 17, 2020, City Council approved the associated Preliminary Plat which amends the Unit 4 portion of the original Rio Homes Final Plat. IDS approved the Civil Engineering Plans on 8/18/2020, and the Final Plat on 9/28/2020. If the developer wishes to convert the apartments to condominiums in the future, a condominium plat will need to be processed through City Staff, Planning and Zoning Commission, and City Council.

Key Considerations:

The City Council shall find the proposed Final Plat meets the requirements of City Code Title 10, Flagstaff Zoning Code; City Code Title 11, General Plans and Subdivisions; and City Code Title 13, Engineering Design Standards and Specifications.

Community Benefits and Considerations:

The proposed Final Plat amendment facilitates the addition of 40 new units to the existing six (6) units on the Rio Homes Unit 4 site. The new housing will be a mix of one-bedroom and two-bedroom apartments. The buildings will not exceed two stories. The Flagstaff Regional Plan land use designation for the site is Existing Suburban seeking a range of 2 to 13 units per acre. The proposal of 46 units on 5.1 acres results in an overall density of 9 units per acre and conforms to the Existing Suburban land use designation.

Community Involvement:

Inform. No public hearings or public outreach are required by either the Zoning Code or the Subdivision Code as part of a Final Plat subdivision review process.

Attachments: Application
Final Plat
Vicinity Map

City/Subdivider Agreement
Review Agency Notifications
Presentation

Authentisign ID: E333222E-55EB-4CC6-AE78-E9A22ED1EB21

City of Flagstaff — Community Development Division

211 W. Aspen Ave
Flagstaff, AZ 86001
www.flagstaff.az.gov

P: (928) 213-2618
F: (928) 213-2609

Date Received	**Application for Subdivision Review**	File Number

Property Owner(s) RP4V LLC & RP40 LLC		**Phone**
Mailing Address 2410 E. Route 66	**City, State, Zip** Flagstaff, AZ 86004	**Email** tom@aznorth.com
Applicant(s) AZ North Realty		**Phone**
Mailing Address 2410 E. Route 66	**City, State, Zip** Flagstaff, AZ 86004	**Email**
Project Representative Blake Schraufnagel		**Phone** 928-774-6637
Mailing Address 2410 E. Route 66	**City, State, Zip** Flagstaff, AZ 86004	**Email** blake@aznorth.com

Requested Review:

- ☐ Development Master Plan
- ☐ Conceptual Plat
- ☐ Preliminary Plat P&Z and Council
- ☐ Modified Subdivision
- ☐ Preliminary Plat
- ■ Final Plat- Council

Project Name: Rio Homes Unit 4	**Site Address** Emma Drive & Jen Drive	**Parcel Number** 104-17-154 through 107-17-187
Proposed Use Residential - Apartments	**Existing Use** Residential - Apartments	**Subdivision, Tract & Lot Number** Rio Homes Unit 4

Zoning District	Regional Plan Category	Flood Zone	Size of Site (Sq. ft. or Acres)
Medium Density Residential (MR)	Suburban	Zone X	5.1 acres

Property Information:

- ☐ Yes ■ No Located in an existing Local/National Historic District? (Name:_____)
- ☐ Yes ■ No Existing structures are over 50 years old at the time of application?
- ☐ Yes ■ No Subject property is undeveloped land?

Surrounding Uses (Res, Com, Ind)	North	South	East	West
	Residential	Residential/Undeveloped	Residential	Public Facility - Park

Proposed Use:	Number of Lots	Number of Units	Number of acres per use	Building Square Feet
Residential - Apartments	12 lots & 3 tracts	46 units (incl. 6 ex.)	5.1 acres	

Please complete a "*Subdivision Review Application*" and provide an initialed "*Application and Information Checklist*" form along with the required number of plans and information as appropriate for a Development Master Plan, Conceptual, Preliminary or Final Plat. **Incomplete submittals will not be scheduled.**

Property Owner Signature: (required)	Date:	Applicant Signature:	Date:
Authentisign: Thomas Brewster	08/04/2020	Authentisign: Blake Schraufnagel	08/04/2020

For City Use

Date Filed: 8/4/20	**Case Number (s)** PZ-19-00019-05	
P & Z Hearing Date: NA		**Publication and Posting Date:** NA
Council Hearing Date: 10/20/20		**Publication and Posting Date:** NA
Fee Receipt Number: REC-202-9595	**Amount:** $1840.00	**Date:** 8/7/20

Action by Planning and Zoning Commission:	Action By City Council:
☐ Approved	☐ Approved
☐ Denied	☐ Denied
☐ Continued	☐ Continued

Staff Assignments	Planning	Engineering	Fire	Public Works/Utilities	Stormwater

PLOTTED: Oct 07, 2020–1:28pm

DEDICATION

STATE OF ARIZONA
SS.
COUNTY OF COCONINO

KNOW ALL MEN BY THESE PRESENTS: THAT RIO FOUR, LLC ("OWNER") HAS SUBDIVIDED UNDER THE NAME OF 'RIO HOMES UNIT 4 MULTI–FAMILY', LOCATED IN SOUTH HALF OF SECTION OF 22, TOWNSHIP 21 NORTH, RANGE 7 EAST, OF THE GILA AND SALT RIVER MERIDIAN, COCONINO COUNTY, ARIZONA, AS SHOWN AND PLATTED HEREON, AND HEREBY PUBLISHES THIS PLAT AS THE PLAT OF 'RIO HOMES' AND HEREBY DECLARES THAT SAID PLAT SETS FORTH THE LOCATIONS AND DIMENSIONS OF THE LOTS AND TRACTS AS SHOWN HEREON AND THAT EACH SHALL BE KNOWN BY THE NAME OR NUMBER AS SHOWN HEREON.

THE OWNER HEREBY DEDICATES TO THE CITY OF FLAGSTAFF:

1. THOSE PUBLIC UTILITY EASEMENTS (PUE) SHOWN HEREON FOR THE BENEFIT OF ALL AUTHORIZED UTILITY COMPANIES FOR PUBLIC UTILITY INSTALLATION, MAINTENANCE, AND ACCESS PURPOSES ONLY.
2. THE FLAGSTAFF URBAN TRAILS SYSTEM (FUTS) EASEMENT AS SHOWN HEREON FOR THE BENEFIT OF THE PUBLIC AND FOR THE PURPOSE TO LOCATE, CONSTRUCT, REPAIR, REPLACE, ALTER, MAINTAIN, AND OPERATE A NON–MOTORIZED PUBLIC ACCESS TRAIL AS PART OF THE FLAGSTAFF URBAN TRAILS SYSTEM, INCLUDING ANY FENCING, WALLS, GRADING, LANDSCAPING, LATERAL, AND SUBJACENT SUPPORT, DRAINAGE STRUCTURES AND FACILITIES, SIGNING, OR OTHER FEATURES ASSOCIATED WITH THE TRAIL. PRIVATE IMPROVEMENTS SHALL NOT BE CONSTRUCTED OR PERMITTED WITHIN THE EASEMENT AREA, INCLUDING BUILDINGS, STRUCTURES, POLES, DRIVEWAYS, PARKING LOTS, FENCES, WALLS, CUT OR FILLSLOPES, GRADING, OR SURFACE DRAINAGE FEATURES.

THE OWNER HEREBY DEDICATES TO UNISOURCE ENERGY SERVICES AND ITS SUBSIDIARY, UNS GAS:

3. ASSIGNS ALL AREAS ON THIS PLAT MARKED PUE OR PUBLIC UTILITY EASEMENT AND THE PROPERTY DESIGNATED ON THE PLAT FOR STREETS. WHETHER PUBLIC OR PRIVATE, FOR EXISTING NATURAL GAS FACILITIES TOGETHER WITH THE RIGHT TO INSTALL REQUIRED SERVICE CONNECTIONS OVER OR UNDER THE SURFACE TO SERVE IMPROVEMENTS THEREON OR ADJACENT TO.

IN WITNESS WHEREOF, THE DECLARANT HAS CAUSED THIS DECLARATION TO BE DULY EXECUTED AS OF THIS_____ DAY OF _____, 2020.

BY: RIO FOUR, LLC

BY: _____
THOMAS BREWSTER
ITS: MANAGING MEMBER

BY: _____
MICHAEL CUNNINGHAM
ITS: MANAGING MEMBER

BY: _____
BLAKE SCHRAUFNAGEL
ITS: MANAGING MEMBER

ACKNOWLEDGEMENT

STATE OF ARIZONA
SS.
COUNTY OF COCONINO

ON THIS _____ DAY OF _____, 2020, BEFORE ME, THE UNDERSIGNED PERSONALLY APPEARED _____ WHO ACKNOWLEDGED BY SELF TO THE REPRESENT RIO FOUR, LLC, AND THAT HE/SHE AS SUCH, BEING AUTHORIZED SO TO DO, EXECUTED THE FOREGOING INSTRUMENT FOR THE PURPOSE THEREIN CONTAINED.

IN WITNESS WHEREOF: I HERUNTO FORTH MY HAND AND OFFICIAL SEAL.

_____
NOTARY PUBLIC MY COMMISSION EXPIRES

CITY OF FLAGSTAFF CERTIFICATION

IT IS HEREBY CERTIFIED THAT THIS PLAT HAS BEEN OFFICIALLY APPROVED FOR THE RECORD BY THE COUNCIL OF THE CITY OF FLAGSTAFF, ARIZONA ON THE _____ DAY OF _____, 2020.

BY: _____
MAYOR

ATTEST: _____
CITY CLERK

IT IS HEREBY CERTIFIED THAT THIS PLAT HAS BEEN OFFICIALLY APPROVED FOR THE RECORD BY THE INTER–DIVISION STAFF REVIEW OF THE CITY OF FLAGSTAFF, ARIZONA ON THE _____ DAY OF _____, 2020.

BY: _____
CITY ENGINEER

BY: _____
PLANNING DIRECTOR

COORDINATE SYSTEM DETAILS

LINEAR UNIT:	INTERNATIONAL FEET
GEODETIC DATUM:	NAD 83 (CONUS)
VERTICAL DATUM:	NAVD 88, REFERENCED FROM NGS CORS STATION 'AZFL'
SYSTEM:	CITY OF FLAGSTAFF LOW DISTORTION PROJECTION (1992)

PROJECTION:
TRANSVERSE MERCATOR

LATITUDE OF GRID ORIGIN:	31.000000000 N
LONGITUDE OF CENTRAL MERIDIAN:	111.916666667 W
NORTHING AT GRID ORIGIN:	–48563.550 FT
EASTING AT CENTRAL MERIDIAN:	–1475125.575 FT
CENTRAL MERIDIAN SCALE FACTOR:	1.0003162016

ALL MEASURED DISTANCES AND BEARINGS SHOWN HEREON ARE GRID VALUES BASED ON THE PRECEDING PROJECTION DEFINITION. THE PROJECTION WAS DEFINED SUCH THAT GRID DISTANCES ARE EQUIVALENT TO "GROUND" DISTANCES IN THE PROJECT AREA.

THE BASIS OF BEARINGS IS TRUE GEODEDIC NORTH; NOTE THAT THE MEASURED GRID BEARINGS SHOWN HEREON (OR IMPLIED BY GRID COORDINATES) DO NOT EQUAL GEODETIC BEARINGS DUE TO MERIDIAN CONVERGENCE.

ORTHOMETRIC HEIGHTS (ELEVATIONS) WERE TRANSFERRED TO THE SITE FROM NGS CONTROL POINT "AZFL" USING GPS WITH NGS GEOID MODEL "GEOID03". ELEVATIONS SHOWN HEREON ARE REFERENCED TO THE PUBLISHED ELEVATION OF THIS STATION.

THE SURVEY WAS CONDUCTED USING GPS REFERENCED TO THE NATIONAL SPATIAL REFERENCE SYSTEM. A PARTIAL LIST OF POINT COORDINATES FOR THIS SURVEY IS GIVEN BELOW (ADDITIONAL COORDINATES ARE AVAILABLE UPON REQUEST). LOCAL NETWORK ESTIMATES ARE GIVEN AT THE 95% CONFIDENCE LEVEL AND ARE BASED ON A LEAST–SQUARES ADJUSTMENT OF STATISTICALLY INDEPENDENT OBSERVATIONS.

POINT #3003 = 2" ALUMINUM CAP IN CENTERLINE OF PINE KNOLL DRIVE
LATITUDE = N 35.181316209 NORTHING = 46905.651 FT
LONGITUDE = W 111.643120982 EASTING = 33208.715 FT
ELLIPSOID HEIGHT = 6864.461 FT ELEVATION = 6940.464 FT

POINT #3004 = 2" ALUMINUM CAP IN CENTERLINE OF PINE KNOLL DRIVE
LATITUDE = N 35.181528385 NORTHING = 46983.232 FT
LONGITUDE = W 111.642723891 EASTING = 33327.207 FT
ELLIPSOID HEIGHT = 6865.395 FT ELEVATION = 6941.398 FT

POINT #3005 = 2" ALUMINUM CAP IN CENTERLINE OF PINE KNOLL DRIVE
LATITUDE = N 35.182232027 NORTHING = 47241.044 FT
LONGITUDE = W 111.640773788 EASTING = 33909.449 FT
ELLIPSOID HEIGHT = 6891.863 FT ELEVATION = 6967.871 FT

LEGAL DESCRIPTION

RIO HOMES UNIT 4, ACCORDING TO THE CITY OF FLAGSTAFF FINAL PLAT FOR RIO HOMES, CASE 9, MAP 44
OFFICIAL RECORDS OF COCONINO COUNTY, LOCATED IN THE SOUTH HALF OF SECTION 22, TOWNSHIP 21 NORTH,
RANGE 7 EAST OF THE GILA AND SALT RIVER MERIDIAN, COCONINO COUNTY, ARIZONA.

FINAL PLAT

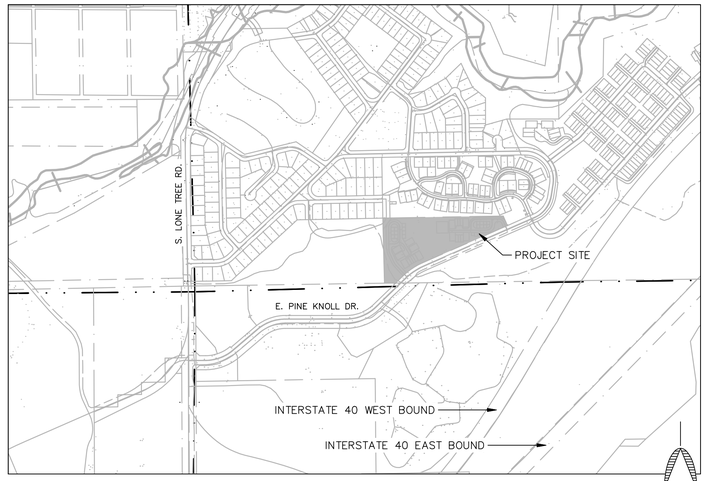
FOR

RIO HOMES UNIT 4 MULTI-FAMILY

FLAGSTAFF, ARIZONA

A REPLAT OF THE FINAL PLAT FOR RIO HOMES, CASE 9, MAP 44, RECORDED IN COCONINO COUNTY, ARIZONA.

LOCATED IN SOUTH HALF OF SECTION 22, TOWNSHIP 21 NORTH, RANGE 7 EAST, GILA AND SALT BASE AND MERIDIAN, COCONINO COUNTY, FLAGSTAFF, ARIZONA



VICINITY MAP
1"=500'

PROJECT OWNER/DEVELOPER:

RIO FOUR, LLC
THOMAS BREWSTER, MANAGER
2410 E. ROUTE 66
FLAGSTAFF, AZ 86004
(928) 774–6637

CIVIL ENGINEER:

SHEPHARD–WESNITZER, INC.
BRAD DIXON, PE #63341
110 WEST DALE AVE
FLAGSTAFF, AZ 86001
(928) 773–0354

SURVEYOR:

SHEPHARD–WESNITZER, INC.
AARON BORLING, RLS #48756
110 WEST DALE AVE
FLAGSTAFF, AZ 86001
(928) 773–0354

LEGEND

- ROW BOUNDARY
- EX. EASEMENT
- ROAD CENTERLINE
- LOT LINE
- EASEMENT
- SECTION LINE
- FOUND MONUMENTS
- SECTION CORNER AS NOTED
- CALCULATED POINT

SWI SHEET INDEX		
SHT NO.	DWG. NO.	DESCRIPTION
01	CVR	COVER SHEET
02	FP01	EXISTING AREA TO BE REPLATTED
03	FP02	FINAL PLAT

PROJECT INFORMATION

RIO HOMES UNIT 4
EMMA DRIVE & JEN DRIVE
FLAGSTAFF, AZ 86001

NUMBER OF LOTS/TRACTS: 22
BUILDING TYPE: MEDIUM DENSITY RESIDENTIAL (MR)
GROSS AREA: 5.1 ACRES
NET ACREAGE (EXCLUDING ROW): 5.1 ACRES

EXISTING ZONING: MR (MEDIUM DENSITY RESIDENTIAL)

1. THE CITY OF FLAGSTAFF PROVIDES WATER [UTILITY] SERVICE PURSUANT TO STATE LAW, AND IS CURRENTLY OPERATING UNDER A DESIGNATION OF ADEQUATE WATER SUPPLY GRANTED BY THE ARIZONA DEPARTMENT OF WATER RESOURCES, APPLICATION NO. 41–90000.0002.
2. ALL UTILITIES, INCLUDING STREET LIGHT AND ELECTRIC LINES INSTALLED WITH THIS DEVELOPMENT SHALL BE PLACED UNDERGROUND.
3. DEVELOPMENT AND USE OF THIS SITE WILL CONFORM TO ALL APPLICABLE CITY OF FLAGSTAFF CODES AND ORDINANCES.
4. RIO FOUR, LLC SHALL BE SOLELY RESPONSIBLE FOR THE OPERATION, MAINTENANCE, AND LIABILITY FOR ALL DETENTION FACILITIES; AND THE CITY OF FLAGSTAFF SHALL HAVE THE RIGHT TO PERIODICALLY INSPECT SAID DETENTION FACILITIES TO VERIFY THE REGULAR MAINTENANCE ACTIVITIES ARE BEING PERFORMED ADEQUATELY..
5. RIO FOUR, LLC SHALL MAINTAIN ALL COMMON AREAS NOTED HEREON AS 'TRACTS'.
6. EXCEPT FOR CONSTRUCTION AND IMPROVEMENTS BY GOVERNMENTAL ENTITIES AND CERTIFICATED PUBLIC UTILITIES, CONSTRUCTION AND IMPROVEMENTS WITHIN UTILITY EASEMENTS SHALL BE LIMITED TO ONLY THE FOLLOWING: REMOVABLE WOOD, WIRE OR SECTION TYPE FENCING; CONSTRUCTION, STRUCTURES OR BUILDING EXPRESSLY APPROVED IN WRITING BY ALL PUBLIC UTILITIES WHICH USE OR SHALL USE THE UTILITY EASEMENT.
7. BOUNDARY INFORMATION PER RECORDED RIO HOMES FINAL PLAT, CASE 9, MAP 44 OFFICIAL RECORDS OF COCONINO COUNTY.
8. RIO FOUR, LLC SHALL BE SOLELY RESPONSIBLE FOR THE OPERATION, MAINTENANCE, AND LIABILITY FOR PRIVATE ONSITE SEWER WITHIN EMMA DRIVE.
9. ALL EXISTING EASEMENTS SHOWN HEREON ARE DEDICATED PER THE FINAL PLAT FOR RIO HOMES, INST. NO. 3255058.
10. THE OWNER HEREBY RESERVES THE TRACTS 'A,' 'B,' AND 'C' FOR THE PURPOSES OF THE FOLLOWING:
    - 10.1. TRACTS 'A' AND 'C' ARE FOR THE PURPOSES OF OPEN SPACE, PARKING, AND A PRIVATE DRIVE AS SHOWN HEREON.
    - 10.2. TRACT 'B' IS FOR THE PURPOSES OF OPEN SPACE, RESOURCE PROTECTION, A DRAINAGE FACILITY AND THE MULTI–FAMILY DEVELOPMENT AS SHOWN HEREON.
11. THE DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, AND EASEMENTS FOR THE RIO HOMES UNIT 4 MULTI–FAMILY HAVE BEEN RECORDED IN THE OFFICE OF THE COCONINO COUNTY RECORDER, INST. NO. _____ AND ARE HEREBY INCORPORATED AS A PART OF THIS PLAT.

SUMMARY OF TRACTS

1. TRACT A: 34,806 SF, 0.80 ACRES
2. TRACT B: 136,194 SF, 3.13 ACRES
3. TRACT C: 29,157 SF, 0.67 ACRES

UTILITY COMPANY CONTACTS

APS
CONTACT: CHAD BROOKS
2200 E. HUNTINGTON
FLAGSTAFF, AZ 86004
CHAD.BROOKS@APS.COM
PHONE: (928) 773–6440

UNISOURCE ENERGY SERVICES
CONTACT: MARTIN CONBOY
2901 W SHAMRELL BLVD #110
FLAGSTAFF, AZ 86001
MCONBOY@UESAZ.COM
PHONE: (928) 226–2269

CENTURYLINK
CONTACT: MANUEL HERNANDEZ
112 NORTH BEAVER STREET
FLAGSTAFF, AZ 86001
MANUEL.HERNANDEZ4@CENTURYLINK.COM
PHONE: (928) 779–4935

ALTICE USA
CONTACT: SANFORD YAZZIE
1601 SOUTH PLAZA WAY
FLAGSTAFF, AZ 86001
SANFORD.YAZZIE@ALTICEUSA.COM
PHONE: (928) 266–0672

UTILITY COMPANY APPROVAL

ARIZONA PUBLIC SERVICE

CHAD BROOKS (BY LETTER) 9/2/2020
BY: DATE:

UNISOURCE ENERGY SERVICES

MARTIN CONBOY (BY LETTER) 8/5/2020
BY: DATE:

CENTURYLINK

KEVIN WAGNER (BY LETTER) 8/5/2020
BY: DATE:

ALTICE USA

SANFORD YAZZIE (BY LETTER) 8/6/2020
BY: DATE:

UTILITY CONFLICT NOTE

THERE ARE NO APPARENT UTILITY CONFLICTS WITH APS, CENTURYLINK, UNISOURCE, OR ALTICE USA; HOWEVER, THEY DO HAVE EXISTING FACILITIES IN THE AREA THAT WILL NEED TO BE PROTECTED AND/OR RELOCATED.

FLOOD ZONE CLASSIFICATION:

THE SUBJECT PARCEL IS LOCATED WITHIN ZONE X OF FEMA FIRM MAP #04005C6816G, EFFECTIVE SEPTEMBER 3, 2010. ZONE X IS DESCRIBED AS AREAS DETERMINED TO BE OUTSIDE THE 0.2% ANNUAL CHANCE FLOODPLAIN.

RESOURCE PROTECTION OVERLAY ZONE:

THE PROJECT FALLS WITHIN THE CITY OF FLAGSTAFF RESOURCE PROTECTION OVERLAY ZONE. THE RESOURCES HEREIN SHALL BE PRESERVED BASED ON THE APPROVED NRPP PROVIDED WITHIN APPROVED PRELIMINARY PLAT DATED 4/28/20.

CERTIFICATE OF LAND SURVEYOR

THIS IS TO CERTIFY THAT THE SURVEY OF THE PROPERTY DESCRIBED AND PLATTED HEREON WAS MADE UNDER MY DIRECTION AND SUPERVISION AND IS ACCURATELY REPRESENTED ON THIS PLAT. I ALSO CERTIFY THAT THE PLAT IS IN SUBSTANTIAL CONFORMANCE TO THE APPROVED TENTATIVE PLAT AND THAT THIS PLAT IS CORRECT AND ACCURATE AS SHOWN TO THE BEST OF MY KNOWLEDGE AND BELIEF.

_____
Aaron D. Borling, RLS 48756

REGISTERED LAND SURVEYOR
48756
AARON D. BORLING
Date Signed 10/07/20
ARIZONA, USA
Expires 12/31/20

C.O.F. #PZ-19-00019-05

FLAGSTAFF ARIZONA

RIO HOMES UNIT 4 FINAL PLAT

COVER SHEET

JOB NO:	19025
DATE:	OCT 20
SCALE:	AS SHOWN
DRAWN:	MMB
DESIGN:	KMF
CHECKED:	ADB/BD

REVISIONS			
NO.	DESCRIPTION	DATE	BY

110 W. Dale Avenue
Flagstaff, AZ 86001
928.773.0354
928.774.8934 fax
www.swiaz.com
Shephard Wesnitzer, Inc.

Call at least two full working days before you plan to excavate.
ARIZONA811 Arizona Blue Stake, Inc.
Dial 8-1-1 or 1-800-STAKE-IT (782-5348)

DRAWING NO.
CVR

SHT NO. 01 OF 03

FILE: P:\2019\19025\DRAWINGS\PLATS\REPLAT 1\FINAL\19025 – COVER SHEET.DWG KBAYER

PLOTTED: Oct 07, 2020–1:28pm

E. RIDGECREST DR.

VILLAS QUIMA
APN 104–10–015

½" REBAR W/ PLASTIC CAP RLS 18215

EXISTING INGRESS/EGRESS AND PUE TO ALLOW ACCESS TO ARROYO PARK TO REMAIN

PINE KNOLL VILLAGE COMMUNITY ASSOCIATION
APN 104–18–069

HORN CASEY & GRETA
APN # 104-18-009

HAUGHTON FAMILY LIVING
APN # 104-18-008

DERENDAL KIMBERLY A
APN # 104-18-007

HEINZE CARL R & KATHERINE A
APN 104–18–006

URIG FAMILY TRUST
APN 104–18–005

LASCANO SALVADOR S & KIRSTEN ANN
APN 104–18–004

LEE LYNN
APN 104–18–003

SCHENCH FAMILY LIVING
APN 104–18–002

EXISTING INGRESS/EGRESS AND PUE TO REMAIN

N 88°48'45" E 841.71'

E. EMMA DRIVE

PINE KNOLL VILLAGE COMMUNITY ASSOC
APN 104–18–069

S 23°59'15" E 72.67'

N 23°41'28" W 26.00'

PT. #3005
2" AC RLS 27253

APN # 104-17-172
APN # 104-17-165
APN # 104-17-170
APN # 104-17-171
APN # 104-17-173
APN # 104-17-164
APN # 104-17-168
APN # 104-17-167
APN # 104-17-166
APN # 104-17-169

APN # 104-17-174

APN # 104-17-158
APN # 104-17-157
APN # 104-17-156
APN # 104-17-154
APN # 104-17-183
APN # 104-17-160
APN # 104-17-157
APN # 104-17-158
APN # 104-17-156
APN # 104-17-184
APN # 104-17-161
APN # 104-17-176
APN # 104-17-162
APN # 104-17-182

RIO HOMES UNIT 4
APN 104–17–180
CASE 9, MAP 44, INST. NO. 3255058

APN # 104-17-181
APN # 104-17-159
APN # 104-17-160
APN # 104-17-161
APN # 104-17-162
APN # 104-17-159
APN # 104-17-155
APN # 104-17-163
APN # 104-17-159

EXISTING PUE

SCALE 1" : 30'
0 15 30

EXISTING PUE

APN # 104-17-172
APN # 104-17-173
APN # 104-17-171
APN # 104-17-170
APN # 104-17-164
APN # 104-17-165
APN # 104-17-168
APN # 104-17-167
APN # 104-17-168
APN # 104-17-169

EXISTING SLOPE EASEMENT

S 66°07'03" W 649.90'

N 66°07'03" E 636.81'

E. PINE KNOLL DR.

EXISTING 57' ROW

CITY OF FLAGSTAFF – ARROYO PARK
APN 104–08–011A

N 1°17'16" W 436.35'
1316.27'

E. JEN DRIVE

L=83.01' R=486.00'
Δ=20°02'33"

Δ=20°02'33"
L=453.92' R=440.00'

PT. #3004
2" AC RLS 25083

EXISTING SLOPE EASEMENT

2.91'

S 46°04'29" W 75.53'

PT. #3003
2" AC RLS 25083

N 46°04'29" E 47.77'

RP4V, LLC
APN 104–17–177
CASE 9, MAP 44, INST. NO. 3255058

S 89°11'29" W 77.64'

38.04'

45.71'

N 89°15'26" E 1113.13'
1067.42'

½" REBAR W/ PLASTIC CAP RLS 18215

½" REBAR

2" AC RLS 25083

S 89°15'04" W 1371.75'

COF #2118200
⅝" REBAR IN CENTERLINE OF LONE TREE
SW COR SEC. 22

COF #2119200
2" BC
S ¼ COR SEC. 22

RIDGE AT CLEAR CREEK APARTMENTS LLC
APN 104–14–003R
CASE 8, MAP 25, INST. NO. 3056854
ZONED RR & MR

CONSOLIDATED INVESTMENT CO INC.
APN 104–14–003J
INST. NO. 3053324

CERTIFICATE OF LAND SURVEYOR

THIS IS TO CERTIFY THAT THE SURVEY OF THE PROPERTY DESCRIBED AND PLATTED HEREON WAS MADE UNDER MY DIRECTION AND SUPERVISION AND IS ACCURATELY REPRESENTED ON THIS PLAT. I ALSO CERTIFY THAT THE PLAT IS IN SUBSTANTIAL CONFORMANCE TO THE APPROVED TENTATIVE PLAT AND THAT THIS PLAT IS CORRECT AND ACCURATE AS SHOWN TO THE BEST OF MY KNOWLEDGE AND BELIEF.

_____
Aaron D. Borling, RLS 48756

REGISTERED LAND SURVEYOR
48756
AARON D. BORLING
Date Signed 10/07/20
ARIZONA, USA
Expires 12/31/20

C.O.F. #PZ-19-00019-05

FLAGSTAFF
ARIZONA

RIO HOMES UNIT 4 FINAL PLAT

EXISTING AREA TO BE REPLATTED

JOB NO:	19025
DATE:	OCT 20
SCALE:	1"=30'
DRAWN:	MMB
DESIGN:	KMF
CHECKED:	ADB/BD

110 W. Dale Avenue
Flagstaff, AZ 86001
928.773.0354
928.774.8934 fax
www.SWIAZ.com

Shephard Wesnitzer, Inc.

REVISIONS			
NO.	DESCRIPTION	DATE	BY

Call at least two full working days before you begin excavation.
ARIZONA 811 Arizona Blue Stake, Inc.
Dial 8-1-1 or 1-800-STAKE-IT (782-5348)

DRAWING NO.
FP01

SHT NO. 02 OF 03

FILE: P:\2019\19025\DRAWINGS\PLATS\REPLAT 1\FINAL\19025 – OVERVIEW FINAL PLAT.DWG KBAYER

PLOTTED: Oct 07, 2020–1:28pm

E. RIDGECREST DR.

VILLAS OLIVIA
APN 104–10–015

PINE KNOLL VILLAGE COMMUNITY ASSOCIATION
APN 104–18–069

PINE KNOLL VILLAGE
CASE 9, MAP 76, INST. NO. 3402095

PINE KNOLL VILLAGE COMMUNITY ASSOC
APN 104–18–069

½" REBAR W/ PLASTIC CAP RLS 18215

EXISTING INGRESS/EGRESS AND PUE TO ALLOW ACCESS TO ARROYO PARK TO REMAIN

EXISTING INGRESS/EGRESS AND PUE TO REMAIN

N 88°48'45" E 841.71'
686.22'

N 1°15'14" W 5.81'
95.73'
90.78'
63.87'
S 89°15'56" W 154.66'
N 89°41'40" E 64.13'
N 33°37'21" E 11.75'
N 89°15'56" E 103.52'
N 0°44'04" W 18.00'
N 89°15'56" E 18.00'
N 0°44'04" W 33.23'
N 89°15'56" E 17.29'
S 89°15'56" W 3.00'
N 0°44'04" W 17.51'
N 0°44'04" W 30.00'
N 89°47'48" E 221.05'
20' PUE DEDICATED HEREON
20' PUE
SEE INSET
TRACT 'C'
TRACT 'B'
TRACT 'A'
INSET
SCALE: 1"=10'
EXISTING PUE ABANDONED HEREON
PROPOSED P.U.E.
26' PUE
20' PUE
S 89°07'13" W 214.92'
94.37'
60.17'
34.67'
246.57'
3.57'
12.00'
13.00'
N 23°31'49" W 30.64'
N 23°41'28" W 26.00'
PT. #3005
2" AC RLS 27253
S 23°52'57" E 17.45'
130.06'
S 66°07'03" W 649.90'
N 66°07'03" E 636.81'
RP4V, LLC
APN 104–17–177
CASE 9, MAP 44, INST. NO. 3255058
EXISTING SLOPE EASEMENT TO REMAIN
162.61'
E. PINE KNOLL DR.
EXISTING 57' ROW
63.25'
N 23°52'57" W 17.45'
N 64°24'09" W 4.29'
N 0°44'04" W 31.47'
S 89°15'56" W 4.00'
N 0°44'04" W 8.50'
L=27.31, R=65.00
Δ=24°04'36"
N 24°48'39" W 66.89'
S 24°48'39" E 60.35'
S 60°32'38" W 78.97'
N 29°20'37" W 60.00'
S 29°20'37" E 36.19'
N 60°39'23" E 60.00'
S 29°20'37" E 60.00'
S 42°27'55" E 85.08'
S 47°27'39" E 55.74'
R=60.00
Δ=53°13'44"
L=466.01, R=466.60
Δ=57°13'33"
L=453.92, R=440.00
Δ=20°02'33"
E. JEN DRIVE
TRACT 'B'
FUTS EASEMENT
EXISTING SLOPE EASEMENT TO REMAIN
131.02'
9.00'
28.88'
28.66'
S 46°04'29" W 75.53'
43.97'
50.63'
PT. #3003
2" AC RLS 25083
N 46°04'29" E 47.77'
N 89°15'26" E 1113.13'
1067.42'
S 89°11'29" W 77.64'
38.04'
45.71'
½" REBAR
2" AC RLS 25083
½" REBAR W/ PLASTIC CAP RLS 18215
S 89°15'04" W 1371.75'
COF #2118200
⅝" REBAR IN CENTERLINE OF LONE TREE
SW COR SEC. 22
CONSOLIDATED INVESTMENT CO INC.
APN 104–14–003J
INST. NO. 3053324
RIDGE AT CLEAR CREEK APARTMENTS LLC
APN 104–14–003R
CASE 8, MAP 25, INST. NO. 3056854
COF #2119200
2" BC
S ¼ COR SEC. 22
PT. #3004
2" AC RLS 25083
CITY OF FLAGSTAFF – ARROYO PARK
APN 104–08–011A
N 11°11'16" W 436.35'
394.77'
L=355.74, R=400.00
Δ=127°39'48"
79.56'
59.76'
S 35°12'12" W 59.45'
L=106.97, R=N 72°35'03" E 13.72'
Δ=113°29'57"
26' PUE
171 B
165 B
168 B
173 B
169 B
167 B
172 B
164 B
170 B
166 B
171 A
172 A
170 A
169 A
167 A
168 A
166 A
165 A
164 A
55.00'
40.00'
20.00'
16.00'
2'

LOT/TRACT SUMMARY TABLE

LOT/TRACT ID	AREA (SF)	AREA (AC)
TRACT A	34,806	0.80
TRACT B	136,194	3.13
TRACT C	29,157	0.67
164 A/B	3,024	0.07
165 A/B	1,724	0.04
166 A/B	1,504	0.03
167 A/B	1,504	0.03
168 A/B	1,724	0.04
169 A/B	3,024	0.07
170 A/B	3,000	0.07
171 A/B	2,829	0.06
172 A/B	2,984	0.07
173 B	624	0.01

LINE TABLE

LINE #	LENGTH	DIRECTION
L1	8.97	N 23°05'52" W
L2	25.85	N 78°56'33" E
L3	15.19	S 60°39'23" W
L4	29.51	N 29°20'37" W
L5	5.44	N 29°20'37" W
L6	3.45	N 29°20'37" W
L7	6.44	S 68°00'12" E
L8	31.52	N 29°20'37" W
L9	8.00	N 29°20'37" W
L10	60.00	S 60°39'23" W
L12	16.80	S 29°20'37" E
L13	20.00	N 29°20'37" W
L14	18.00	S 60°39'23" W
L16	52.52	S 60°39'23" W
L17	7.49	S 33°58'25" E
L18	33.36	N 60°39'23" E
L19	19.04	S 29°20'37" E
L20	27.13	S 29°20'37" E
L21	21.84	S 89°15'56" W
L22	2.16	N 89°15'56" E
L23	26.00	S 0°44'04" E
L24	26.00	S 0°44'04" E
L25	24.00	N 89°15'56" E
L26	26.00	S 0°44'04" E
L27	26.00	S 0°44'04" E
L28	24.00	N 89°15'56" E
L29	26.00	S 0°44'04" E
L30	26.00	S 0°44'04" E
L31	24.00	N 89°15'56" E
L32	26.00	S 0°44'04" E
L33	26.00	S 0°44'04" E
L34	24.00	N 89°15'56" E
L35	6.67	N 89°15'56" E
L36	1.24	S 30°10'20" E
L37	9.03	S 72°35'03" W
L38	15.33	S 17°24'57" E
L39	9.33	N 72°35'03" E
L40	10.00	S 17°24'57" E
L41	4.00	S 85°25'45" E
L42	1.31	N 0°44'04" W

LINE TABLE

LINE #	LENGTH	DIRECTION
L43	4.53	N 57°16'29" E
L44	24.00	N 89°15'56" E
L45	24.00	N 89°15'56" E
L46	26.00	S 0°44'04" E
L47	26.00	S 0°44'04" E
L48	26.00	N 0°44'04" W
L49	24.00	N 89°15'56" E
L50	24.00	N 89°15'56" E
L51	26.00	S 0°44'04" E
L52	26.00	S 0°44'04" E
L53	26.00	N 0°44'04" W
L54	24.00	N 89°15'56" E
L55	24.00	N 89°15'56" E
L56	26.00	S 0°44'04" E
L57	26.00	S 0°44'04" E
L58	26.00	N 0°44'04" W
L59	24.00	N 89°15'56" E
L60	24.00	N 89°15'56" E
L61	55.46	N 60°47'23" E
L62	40.00	N 29°20'37" W
L63	52.55	S 60°39'23" W
L64	55.97	N 60°39'23" E
L65	40.00	N 29°20'37" W
L67	5.00	N 29°20'37" W
L68	20.00	N 60°39'23" E
L69	16.00	N 60°39'23" E
L70	16.00	N 60°39'23" E
L71	20.00	N 60°39'23" E
L73	5.00	S 29°20'37" E
L74	7.59	S 89°15'54" W
L78	111.10	N 40°55'08" W
L79	100.76	N 25°00'44" W
L80	153.49	N 0°42'54" W
L81	26.00	N 89°16'12" E
L84	84.59	S 0°42'54" E
L85	51.81	N 89°30'18" E
L86	7.00	N 0°25'01" W
L87	8.59	S 89°34'59" W
L88	6.00	S 0°25'01" E
L90	8.59	N 89°34'59" E

LINE TABLE

LINE #	LENGTH	DIRECTION
L91	71.49	S 0°25'01" E
L92	26.00	N 89°34'59" E
L93	84.46	S 0°25'01" E
L94	16.39	N 89°30'18" E
L95	96.08	S 29°00'39" E
L96	62.16	N 60°39'23" E
L99	154.25	S 60°39'23" W
L101	69.88	S 29°20'37" E
L102	86.09	S 60°39'23" W
L103	35.60	S 29°00'39" E
L104	26.32	N 60°59'21" E
L105	6.00	S 29°20'37" E
L106	26.36	S 60°59'21" W
L107	10.73	S 29°00'39" E
L108	26.42	N 60°32'22" E
L109	6.00	S 29°20'37" E
L110	26.46	S 60°32'22" W
L111	22.44	S 29°00'39" E
L112	83.64	N 89°30'18" E
L113	40.83	N 0°42'54" W
L115	65.53	N 40°55'08" W
L116	36.69	S 23°54'04" E
L117	13.75	S 58°07'53" E
L118	13.69	N 89°55'31" E
L119	5.76	N 1°21'35" W
L120	6.00	N 90°00'00" E
L121	6.28	S 1°21'35" E
L122	18.58	N 88°38'25" E
L123	31.12	N 0°21'46" E
L124	51.60	N 43°05'16" E
L125	111.54	S 89°47'48" W
L128	11.72	S 0°10'54" E
L129	6.00	S 89°07'13" W
L130	11.79	N 0°10'54" W
L131	60.29	S 89°47'48" W
L135	12.50	S 0°44'04" E
L136	10.00	S 89°07'13" W
L137	12.62	N 0°44'04" W
L138	34.67	S 89°47'48" W
L143	2.66	N 0°44'04" W

LINE TABLE

LINE #	LENGTH	DIRECTION
L144	6.81	S 89°47'48" W
L145	6.00	N 0°12'12" W
L146	6.75	N 89°47'48" E
L147	11.34	N 0°44'04" W
L148	5.75	N 89°49'48" E
L149	4.33	S 0°11'39" E
L150	25.63	S 58°07'53" E
L151	42.85	S 23°54'04" E
L152	42.78	N 0°00'25" W
L153	35.15	N 43°05'16" E

CURVE TABLE

CURVE #	LENGTH	RADIUS	DELTA
C1	25.88	84.00	17°39'16"
C2	50.76	28.50	102°02'24"
C3	2.73	28.50	5°28'50"
C4	16.29	28.50	32°44'35"
C5	15.63	18.02	49°42'21"
C6	12.00	18.02	38°09'28"
C7	5.37	58.00	5°18'19"
C8	26.36	22.75	66°23'03"
C9	34.56	22.00	89°59'58"
C10	61.73	52.15	67°49'40"

CERTIFICATE OF LAND SURVEYOR

THIS IS TO CERTIFY THAT THE SURVEY OF THE PROPERTY DESCRIBED AND PLATTED HEREON WAS MADE UNDER MY DIRECTION AND SUPERVISION AND IS ACCURATELY REPRESENTED ON THIS PLAT. I ALSO CERTIFY THAT THE PLAT IS IN SUBSTANTIAL CONFORMANCE TO THE APPROVED TENTATIVE PLAT AND THAT THIS PLAT IS CORRECT AND ACCURATE AS SHOWN TO THE BEST OF MY KNOWLEDGE AND BELIEF.

Aaron D. Borling, RLS 48756

REGISTERED LAND SURVEYOR
48756
AARON D. BORLING
Date Signed... 10/07/20
ARIZONA, USA
Expires 12/31/20

C.O.F. #PZ-19-00019-05

FLAGSTAFF
ARIZONA

RIO HOMES UNIT 4 FINAL PLAT

FINAL PLAT

JOB NO:	19025
DATE:	OCT 20
SCALE:	1" = 30'
DRAWN:	MMB
DESIGN:	KMF
CHECKED:	ADB/BD

SCALE 1" : 30'
0 15 30

110 W. Dale Avenue
Flagstaff, AZ 86001
928.773.0354
928.774.6934 fax
www.SWGZ.com
Shephard Wesnitzer, Inc.

REVISIONS

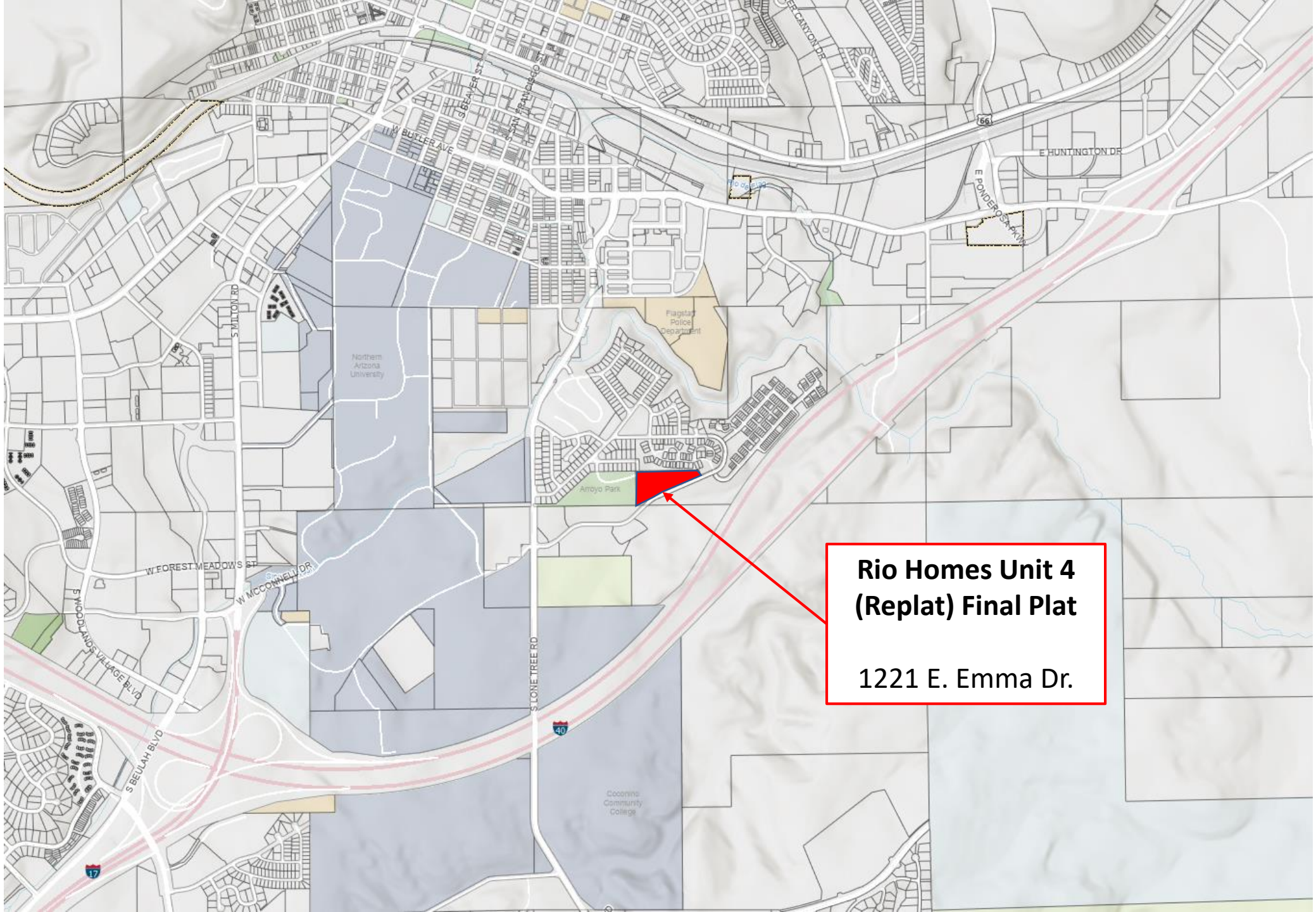
NO.	DESCRIPTION	DATE	BY

Call at least two full working days before you dig, it's the law.
ARIZONA811 Arizona Blue Stake, Inc.
Dial 8-1-1 or 1-800-STAKE-IT (782-5348)

DRAWING NO.
FP02

SHT NO. 03 OF 03

FILE: P:\2019\19025\DRAWINGS\PLATS\REPLAT 1\FINAL\19025 – FINAL PLAT.DWG KBAYER


Rio Homes Unit 4
(Replat) Final Plat
1221 E. Emma Dr.
E HUNTINGTON DR
W BUTLER AVE
S MILTON RD
S BEULAH BLVD
S LONE TREE RD
W FOREST MEADOWS ST
W MCCONNELL DR
S WOODLANDS VILLAGE BLVD
E PONDEROSA PKWY
Northern Arizona University
Flagstaff Police Department
Arroyo Park
Coconino Community College

CITY / SUBDIVIDER AGREEMENT
CITY OF FLAGSTAFF, ARIZONA

This Agreement is entered into by and between the CITY OF FLAGSTAFF, a municipal corporation duly created and existing under the laws of the State Arizona, hereinafter referred to as CITY; and RP4V LLC _____ Subdivider, hereinafter referred to as SUBDIVIDER.

W I T N E S S E TH

WHEREAS, RP4V LLC (Subdivider) desires to subdivide property within the City of Flagstaff, Arizona known as Rio Homes Unit 4 _____ ; and

WHEREAS, CITY is agreeable to accepting said subdivision as proposed; providing that the subdivider constructs the subdivision in accordance with City standards and as set forth in the approved preliminary plat, and while fulfilling the obligations set forth below, which the subdivider hereby assumes; and

WHEREAS, building permit(s) is (are) required and will be issued following execution of this agreement;

NOW, THEREFORE, in consideration of the subdivision and the mutual covenants of the parties hereinafter expressed, the parties hereto agree as follows:

1. SUBDIVIDER agrees to construct all improvements in conformance with the CITY'S Subdivision Regulations and the "General Construction, Standards and Specifications" of the CITY, and to employ a responsible supervisor.

2. SUBDIVIDER further agrees to dedicate all streets and rights-of-way to the CITY for public use and to offer all public improvements to the CITY for acceptance into the CITY system.

3. The CITY agrees to accept the Subdivision as platted and to accept ownership of public improvements upon their completion and approval by the CITY.

4. In the event that the CITY should be required to institute any action for the enforcement of this agreement, SUBDIVIDER, shall be required to pay a reasonable attorney's fee in addition to all other costs assessed in any such action.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed on their own behalf and by the duly authorized officials and officers on the day and year herein written.

(Signed)

Subdivider/Title (Managing Member)

Subdivider/Title

STATE OF ARIZONA)
) ss
County of Coconino)

SUBSCRIBED AND SWORN to before me this 19th day of August, 2020 by Thomas Brewster.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

GABRIELA RAQUEL PERDOMO
Notary Public – Arizona
Coconino County
My Comm Expires Feb 1, 2022

Notary Public

My Commission expires: 2/1/2022

Dated this _____ day of _____ 20_____ in Flagstaff, Coconino County, Arizona.

By: _____
Mayor

ATTEST:

_____
City Clerk

Shephard Wesnitzer, Inc.
Engineering an environment of excellence

110 West Dale Avenue
Flagstaff, AZ 86001

928.773.0354
928.774.8923

www.swiaz.com

Engineering an environment of excellence.

August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: ADOT

Nathan Reisner
1801 South Milton Road
Flagstaff, AZ 86001

FROM: Shephard Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

Please provide any comments and return them to us as soon as possible. Thank you for taking the time to complete, sign, date, and return this document. Your transmittal may be by mail or email as indicated on the bottom of this page.

_____ APPROVED WITHOUT COMMENT

_____ APPROVED WITH COMMENT, AS FOLLOWS

__X__ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

SIGNED: Nathan D. Reisner **TITLE:** Development Engineer

AGENCY: ADOT Northcentral District **DATE:** 8/18/2020

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

August 18, 2020

Kayla Fleishman
110 W. Dale Ave
Flagstaff, AZ 86001

Subject: Rio Homes Unit 4

Dear Mrs. Fleishman:

Continued development impacting the local roadway system will create saturation over time if not mitigated. ADOT does not have a policy in which we can require a developer not encroaching on ADOT's right of way to contribute to infrastructure improvements. In partnership, it is requested that local jurisdictions include a proportional share analysis detailing impact to ADOT jurisdictional roadways to assist in future infrastructure improvements caused by City development benefitting the overall local roadway system.

Sincerely,

Nathan Reisner, P.E.
Northcentral District Development Engineer
1801 S. Milton Street
Flagstaff, AZ 86001

Shephard Wesnitzer, Inc.
Engineering an environment of excellence

110 West Dale Avenue
Flagstaff, AZ 86001

928.773.0354
928.774.8923

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Engineering an environment of excellence.

August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: AlticeUSA

Sanford Yazzie
1601 S Plaza Way
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

Please provide any comments and return them to us as soon as possible. Please also provide maps of any existing Altice USA utilities in the vicinity of the site for coordination purposes. Thank you for taking the time to complete, sign, date, and return this document. Your transmittal may be by mail or email as indicated on the bottom of this page.

_____ APPROVED WITHOUT COMMENT

X_____ APPROVED WITH COMMENT, AS FOLLOWS

_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

Will require getting final power plans for this project to see if there going to be any changes for the new development.

SIGNED: Sanford Yazzie **TITLE:** Sr. Construction Supervisor

AGENCY: Suddenlink/Altice **DATE:** 08-06-2020

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

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August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: Arizona Public Service

Chad Brooks
2200 E Huntington Dr.
Flagstaff, AZ 86004

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

Please provide any comments and return them to us as soon as possible. Please also provide maps of any existing APS utilities in the vicinity of the site for coordination purposes. Thank you for taking the time to complete, sign, date, and return this document. Your transmittal may be by mail or email as indicated on the bottom of this page.

_____ APPROVED WITHOUT COMMENT

__X__ APPROVED WITH COMMENT, AS FOLLOWS

_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

Please see the attached.

SIGNED: Chad Brooks **TITLE:** Customer Proj Rep

AGENCY: APS **DATE:** 9-2-2020

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

A subsidiary of Pinnacle West Capital Corporation

Station 4423
2200 E Huntington DR
Flagstaff, AZ 86004
www.aps.com

September 2, 2020,

Re: RIO HOMES UNIT 4

Shephard Wesnitzer, Inc.
110 West Dale Ave.
Flagstaff, AZ 860001

Dear Kala,

Thank you for your recent request for a utility conflict check. Please complete the attached Map Request, and e-mail it to the e-mail address on the form (mapprint@apsc.com). Once APS receives a completed Map Request, you should receive the map or maps by email within 5-7 business days.

The APS maps show facility locations adjacent to or within the property shown on the proposed plans we received from you. Please review these maps for possible conflicts. The utility locations are approximate only and are not reliable for construction purposes. It is important to note that there may be additional conflicts in existence due to recent construction that are not shown on the current maps you receive.

Please be advised that it is the responsibility of the customer to maintain proper clearances and blue stake prior to digging. For actual conditions, please contact the Arizona Blue Stake Center at 602-263-1100.

Also enclosed is APS's General Design Guidelines for Proposed Improvements in APS Transmission ROW Please review this document carefully.

If I can be of further assistance, please do not hesitate to call me at 602-371-5770. Further information is also available on the APS Construction Services at:

www.aps.com/construction

Sincerely,

Chad Brooks

Chad Brooks
Customer Project Representative
Flagstaff Construction

Enclosures

Shephard Wesnitzer, Inc.

110 West Dale Avenue
Flagstaff, AZ 86001

928.773.0354
928.774.8923

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August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: Coconino County Flood Control District

Jay Christelman
2500 North Fort Valley Road, Bldg. 1
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

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_X_ APPROVED WITHOUT COMMENT
_____ APPROVED WITH COMMENT, AS FOLLOWS
_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

SIGNED: _____ **TITLE:** CD Director

AGENCY: Coconino Co. **DATE:** 8.10.20

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

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August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: CC Health Dept. – Environ. Services

Jay Christelman
2500 North Fort Valley Road, Bldg. 1
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

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_✓_ APPROVED WITHOUT COMMENT
_____ APPROVED WITH COMMENT, AS FOLLOWS
_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

SIGNED: _____ **TITLE:** CD Director

AGENCY: Coconino Co **DATE:** 8.10.20

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August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: Flagstaff Unified School District

Bob Kuhn
3285 E. Sparrow Avenue
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

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R APPROVED WITHOUT COMMENT
_____ APPROVED WITH COMMENT, AS FOLLOWS
_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

SIGNED: _____ **TITLE:** Asst Supt of Ops

AGENCY: Flagstaff USD **DATE:** Aug. 20

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

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August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: CenturyLink

Manual Hernandez
112 North Beaver Street
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

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__X__ APPROVED WITHOUT COMMENT

_____ APPROVED WITH COMMENT, AS FOLLOWS

_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

SIGNED: Kevin S. Wagner **TITLE:** Project Manager

AGENCY: Terra Technologies Representing CenturyLink **DATE:** August 5, 2020

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

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August 4, 2020

Job #19025

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: Unisource Energy Services

Martin Conboy
1459 East Butler Ave.
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

In conformance with the City of Flagstaff subdivision development process, we have enclosed the Final Plat for the Rio Homes Unit 4 development prepared by Shephard-Wesnitzer, Inc. The site is situated on the north side of E. Pine Knoll Drive.

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_____ APPROVED WITHOUT COMMENT

XXX APPROVED WITH COMMENT, AS FOLLOWS

_____ ACKNOWLEDGED, APPROVAL NOT REQUIRED, COMMENTS AS FOLLOWS

I noticed a typo in #2 of the dedication. "Within" should be "with"

Thanks for your work on this Kayla.

SIGNED: _____ **TITLE:** R/W Agent UNS Gas, Inc.

AGENCY: UNS GAS, INC. **DATE:** August 5, 2020

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

SWI
Shephard Wesnitzer, Inc.

110 West Dale Avenue
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928.774.8923

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August 4, 2020 **Job #19025**

PROJECT: ***Rio Homes Unit 4***

UTILITY CONFLICT LETTER

TO: USDA Natural Resources Conservation Service

Jeb Minarik
1611 South Plaza Way
Flagstaff, AZ 86001

FROM: Shephard-Wesnitzer Inc.

Kayla Fleishman
110 W Dale Ave
Flagstaff, AZ 86001

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Per NRCS Web soil survey data Plat site is classified as Tortugas (55%) - Daze (45%) complex. These soils are rated as Very Limited due to the following. Tortuga - Large stones and depth to bedrock, represents 55% of area. Daze - Shrink Swell Clays and depth to bedrock, represents 45% of Area. If not done already it is recomended that this be considered in foundation design.

SIGNED: Joseph Dahm **TITLE:** Acting District Conservationist.

AGENCY: USDA - NRCS **DATE:** 9/1/2020

110 W. Dale Ave.
Flagstaff, AZ 86001

Phone #: 928-773-0354

Email: kfleishman@swiaz.com

Rio Homes Unit 4 Replat

Final Plat Approval Request

City Council| October 20, 2020

Genevieve Pearthree | Planning Development Manager

Request Overview

Request for Final Plat approval for an amendment (replat) of Rio Homes Unit 4 at 1221 E. Emma Dr.

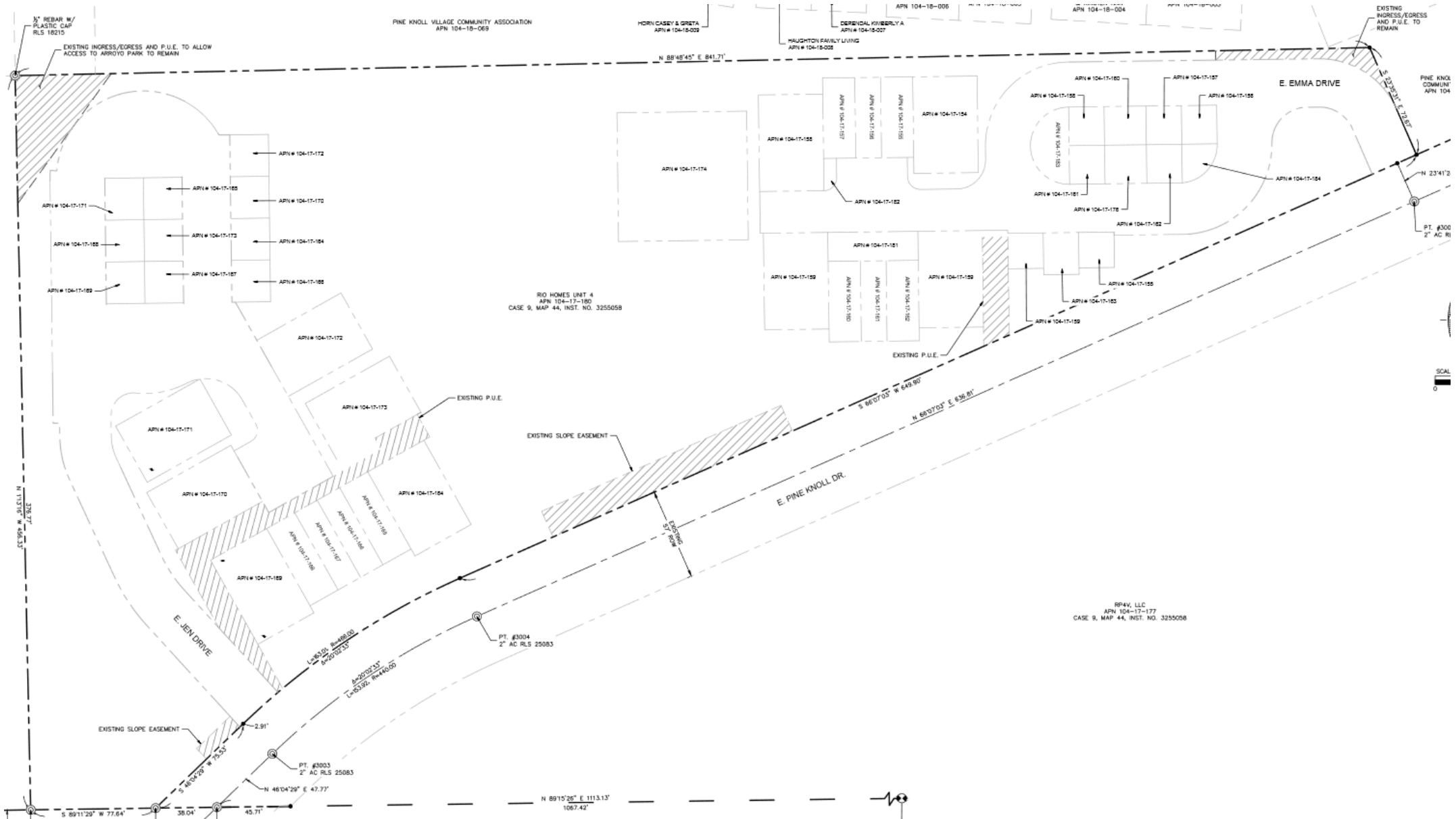
- Final Plat creates 12 lots and 3 tracts
- 5.1 acres
- MR (Medium Density Residential) Zone with a Resource Protection Overlay
- Purpose of amendment is to facilitate Conventional Multi-Family Development

Vicinity Map

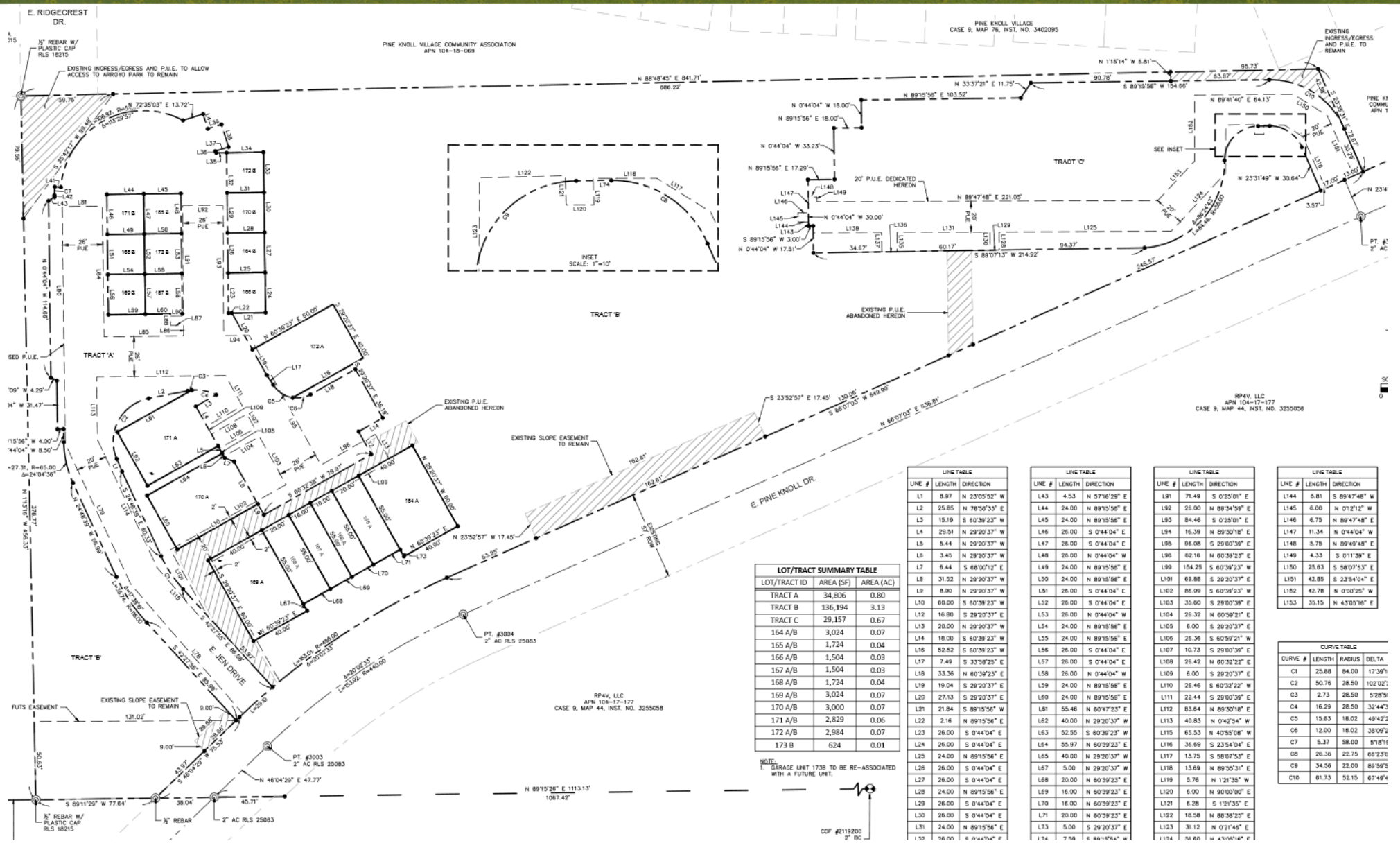
Background – Previous Approvals

- City Council approved the Preliminary Plat request on June 17, 2020
- Inter-Division Staff Review approved the Site Plan in March 2020 and the Civil Engineering Plans in August 2020 based on compliance with all development standards
- Inter-Division Staff Review approved the Final Plat on September 28, 2020

Existing Subdivision Plat - 2005



Proposed Final Plat - 2020



LOT/TRACT SUMMARY TABLE		
LOT/TRACT ID	AREA (SF)	AREA (AC)
TRACT A	34,806	0.80
TRACT B	136,194	3.13
TRACT C	29,157	0.67
164 A/B	3,024	0.07
165 A/B	1,724	0.04
166 A/B	1,504	0.03
167 A/B	1,504	0.03
168 A/B	1,724	0.04
169 A/B	3,024	0.07
170 A/B	3,000	0.07
171 A/B	2,829	0.06
172 A/B	2,984	0.07
173 B	624	0.01

NOTE:
1. GARAGE UNIT 173B TO BE RE-ASSOCIATED WITH A FUTURE UNIT.

COF #2119200 2" BC

LINE TABLE		
LINE #	LENGTH	DIRECTION
L1	8.97	N 23°05'52" W
L2	25.85	N 78°56'33" E
L3	15.19	S 60°39'23" W
L4	29.51	N 29°20'37" W
L5	5.44	N 29°20'37" W
L6	3.45	N 29°20'37" W
L7	6.44	S 68°00'12" E
L8	31.52	N 29°20'37" W
L9	8.00	N 29°20'37" W
L10	60.00	S 60°39'23" W
L12	16.80	S 29°20'37" E
L13	20.00	N 29°20'37" W
L14	18.00	S 60°39'23" W
L16	52.52	S 60°39'23" W
L17	7.49	S 33°58'25" E
L18	33.36	N 60°39'23" E
L19	19.04	S 29°20'37" E
L20	27.13	S 29°20'37" E
L21	21.84	S 89°15'56" W
L22	2.16	N 89°15'56" E
L23	26.00	S 0°44'04" E
L24	26.00	S 0°44'04" E
L25	24.00	N 89°15'56" E
L26	26.00	S 0°44'04" E
L27	26.00	S 0°44'04" E
L28	24.00	N 89°15'56" E
L29	26.00	S 0°44'04" E
L30	26.00	S 0°44'04" E
L31	24.00	N 89°15'56" E
L32	26.00	S 0°44'04" E

LINE TABLE		
LINE #	LENGTH	DIRECTION
L43	4.53	N 57°16'29" E
L44	24.00	N 89°15'56" E
L45	24.00	N 89°15'56" E
L46	26.00	S 0°44'04" E
L47	26.00	S 0°44'04" E
L48	26.00	N 0°44'04" W
L49	24.00	N 89°15'56" E
L50	24.00	N 89°15'56" E
L51	26.00	S 0°44'04" E
L52	26.00	S 0°44'04" E
L53	26.00	N 0°44'04" W
L54	24.00	N 89°15'56" E
L55	24.00	N 89°15'56" E
L56	26.00	S 0°44'04" E
L57	26.00	S 0°44'04" E
L58	26.00	N 0°44'04" W
L59	24.00	N 89°15'56" E
L60	24.00	N 89°15'56" E
L61	55.46	N 60°47'23" E
L62	40.00	N 29°20'37" W
L63	52.55	S 60°39'23" W
L64	55.97	N 60°39'23" E
L65	40.00	N 29°20'37" W
L67	5.00	N 29°20'37" W
L68	20.00	N 60°39'23" E
L69	16.00	N 60°39'23" E
L70	16.00	N 60°39'23" E
L71	20.00	N 60°39'23" E
L73	5.00	S 29°20'37" E
L74	7.59	S 89°15'56" W

LINE TABLE		
LINE #	LENGTH	DIRECTION
L91	71.49	S 0°25'01" E
L92	26.00	N 89°34'59" E
L93	84.46	S 0°25'01" E
L94	16.39	N 89°30'18" E
L95	96.08	S 29°00'39" E
L96	62.16	N 60°39'23" E
L99	154.25	S 60°39'23" W
L101	69.88	S 29°20'37" E
L102	86.09	S 60°39'23" W
L103	35.60	S 29°00'39" E
L104	26.32	N 60°59'21" E
L105	6.00	S 29°20'37" E
L106	26.36	S 60°59'21" W
L107	10.73	S 29°00'39" E
L108	26.42	N 60°32'22" E
L109	6.00	S 29°20'37" E
L110	26.46	S 60°32'22" W
L111	22.44	S 29°00'39" E
L112	83.64	N 89°30'18" E
L113	40.83	N 0°42'54" W
L115	65.53	N 40°55'08" W
L116	36.69	S 23°54'04" E
L117	13.75	S 58°07'53" E
L118	13.69	N 89°55'31" E
L119	5.76	N 1°21'35" W
L120	6.00	N 90°00'00" E
L121	6.28	S 1°21'35" E
L122	18.58	N 88°38'25" E
L123	31.12	N 0°21'46" E
L124	51.60	N 43°05'16" E

LINE TABLE		
LINE #	LENGTH	DIRECTION
L144	6.81	S 89°47'48" W
L145	6.00	N 0°12'12" W
L146	6.75	N 89°47'48" E
L147	11.34	N 0°44'04" W
L148	5.75	N 89°49'48" E
L149	4.33	S 0°11'39" E
L150	25.63	S 58°07'53" E
L151	42.85	S 23°54'04" E
L152	42.78	N 0°00'25" W
L153	35.15	N 43°05'16" E

CURVE TABLE			
CURVE #	LENGTH	RADIUS	DELTA
C1	25.88	84.00	17°39'1
C2	50.76	28.50	102°02'2
C3	2.73	28.50	5°28'5
C4	16.29	28.50	32°44'3
C5	15.63	18.02	49°42'2
C6	12.00	18.02	38°09'2
C7	5.37	58.00	5°18'1
C8	26.36	22.75	66°23'0
C9	34.56	22.00	89°59'5
C10	61.73	52.15	67°49'4

Site Plan Building Elevations (examples, for information only)

BUILDING #1 WEST ELEVATION

SCALE: 1/4" = 1'-0"

UPDESIGN studio ARCHITECTS

RIO HOMES | UNIT 4 MULTI-FAMILY HOUSING

E. EMMA DR./ E. JEN DR.

FLAGSTAFF, ARIZONA 86004

PROJECT NO 18_023

ELEVATIONS BLDG 1

Site Plan Building Elevations (examples, for information only)

UPDESIGN studio ARCHITECTS

RIO HOMES | UNIT 4 MULTI-FAMILY HOUSING
E. EMMA DR./ E. JEN DR.
FLAGSTAFF, ARIZONA 86004

PROJECT NO 18_023

ELEVATIONS
BLDG 6/7/8

Findings and Recommendation

Required Findings

- Staff has found the **Final Plat meets the requirements** of:
  - City Code Title 10, Flagstaff Zoning Code
  - City Code Title 11, General Plans and Subdivisions
  - City Code Title 13, Engineering Design Standards and Specifications

Staff Recommendation

- Staff recommends **the City Council approve the Final Plat and authorize the Mayor to sign the Plat and City Subdivider Agreement** when notified by Staff that the documents are ready for recording

9. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Erin Young, Water Resources Manager
Co-Submitter:	Stacey Brechler-Knaggs
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Approval of Joint Funding Agreement between the United States Geological Survey and the City of Flagstaff for continued funding towards the C-aquifer Monitoring Program in the amount of $74,288.

STAFF RECOMMENDED ACTION:

1. Approve the Joint Funding Agreement with the U.S. Geological Survey (USGS) to contribute $74,288 from October 1, 2020, to September 30, 2023; and
2. Authorize the City Manager to execute the necessary documents

Executive Summary:

Staff recommends the Council approve this Joint Funding Agreement with the USGS to continue funding the City's portion of the C-aquifer Monitoring Program for another three years. The City relies on groundwater resources from the C-aquifer, as do other cities, towns, and tribes. The purpose of this agreement is to provide funding to monitor and track baseline data on water level elevations and streamflow trends before the development of new supplies. This is critical to understanding the potential impact that new development has on water resources. Since 2012, this USGS Program has been funded by the Bureau of Indian Affairs, Navajo Nation, and the City. The Program expanded in FY 2020-21 to include funding of other stakeholders in the Little Colorado River Watershed, including Arizona Public Service, Arizona Department of Water Resources, U.S. Fish and Wildlife, and the Coconino Plateau Watershed Partnership.

Financial Impact:

This Council Action commits the City to a total of $74,288 over three years, of which $50,100 is budgeted in Water Fund, Water Resources Section account 202-08-304-1061-0-4206 Consultant Fees at $16,700 per year. The U.S. Fish and Wildlife Service and the Coconino Plateau Watershed Partnership will provide the remaining $24,188 as a pass-through from the agencies to the City over the three-year period.

Policy Impact:

This item does not impact current policy.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Priority: Environmental Stewardship
Objectives: Actively manage and protect all environmental and natural resources; Increase the private sector's participation in environmental stewardship efforts; Implement, maintain and further the Climate Action and Adaptation Plan (CAAP)

Regional Plan

Goal WR.3. Satisfy current and future human water demands and the needs of the natural environment through sustainable and renewable water resources and strategic conservation measures.

Has There Been Previous Council Decision on This:

Yes. Council approved the initial Joint Funding Agreement with the USGS for the C-aquifer Monitoring Program on 7/3/12, and a renewal on 5/19/15, for $10,000 annually. Council approved a renewal on 11/7/17 for $16,700 annually to add data interpretation and a summary report to the agreement. In FY 2020-21, FY 2021-22, and FY 2022-23 the additional $6,700 supports the City's portion of a streamflow gauge in Chevelon Creek and development of an interactive Program website on the USGS page. The annual cost for the streamflow gauge is shared with the partners mentioned above. On-going City funding of this Program started in FY 2012-13.

Options and Alternatives:

1. Authorize the signing of the Joint Funding Agreement with the U.S. Geological Survey and maintain a collaborative partnership in monitoring the C aquifer.
2. Do not authorize the Joint Funding Agreement between the U.S. Geological Survey and the City. This option would require the other partners to either re-scope the C-aquifer Monitoring Program with reduced funding or to make up the cost difference.

Background/History:

The C aquifer Monitoring Program was established in 2005 as an agreement between the U.S. Geological Survey and the Bureau of Indian Affairs, Navajo Nation, to evaluate baseflow within Chevelon Creek, Clear Creek, and part of the Little Colorado River and collect water level elevations of the C-aquifer over time. The program area spans from Wupatki and east Flagstaff to Chevelon Creek and the Little Colorado River near Holbrook. Data and results from this project are important to the City as the City will be asked to demonstrate what impact the City has made on the C aquifer and what the City's proposed pumping at Red Gap Ranch (RGR) will have on the surrounding resources that rely on the C aquifer. Additionally, many surrounding communities pump groundwater from the C aquifer, including Doney Park, Mountainaire, Kachina Village, Forest Highlands, Flagstaff Ranch. Lastly, regional aquifer systems see a delayed response to shifts in climate.

Key Considerations:

The objectives of the project are to: 1) establish baseline conditions in the C aquifer prior to significant additional groundwater development, 2) evaluate baseflow in the Little Colorado River, Clear and Chevelon Creeks, 3) document changes in flow and water quality of the C aquifer, 4) inventory and characterize spring resources, and 5) begin report development of data collected from water year 2012 to 2018 and publish a report during FY2019-20. The USGS expanded the C aquifer Monitoring Program in FY 2020-21 to include new partners and expanded monitoring by adding a stream-flow gauge on Chevelon Creek, an important riparian habitat supported by baseflow from the C aquifer. New funding partners in the Little Colorado River Basin contributing to this study include the Arizona Public Service, Arizona Department of Water Resources, U.S. Fish and Wildlife Service, and the Coconino Plateau Watershed Partnership. This new partnership demonstrates the City's Performance Based Budgeting objective to increase the private sector's participation in environmental stewardship efforts as staff were leaders in developing interest among the partners to reinstate and fund the stream gauge.

The work covered under this agreement will also satisfy Provision No. 3 written in the 2011 Stipulation between the City and the Navajo Nation (Superior Court of the State of Arizona, Civil No. 6417), part of which states: "The Parties agree to work cooperatively and in good faith to evaluate environmental impacts, if any, from both the City's pumping of Underground Water at Red Gap Ranch and the Navajo Nation's pumping of Underground Water along the south-western portion of the Navajo Nation."

Data from this Program has been used as baseline information for the first public groundwater flow model developed for northern Arizona by the U.S. Geological Survey (U.S. Geological Survey Scientific Investigations Report 2010-5180, 2011). This model, the Northern Arizona Regional Groundwater Flow Model, was the base model for an evaluation of proposed groundwater pumping by both parties, in the December, 2015 publication "Red Gap Ranch - Leupp Groundwater Flow Model" conducted by Southwest Ground-water Consultants. The collaborative study was funded through a $300,000 grant to the City from the U.S. Bureau of Reclamation.

Expanded Financial Considerations:

The below totals include those contibutions in this IGA as well as funds received outside the IGA by other partners in FY 2020-21:

- Navajo Nation (FY 2020-21 request) $50,000
- City of Flagstaff (with funding from Coconino Plateau Watershed Partnership and US Fish & Wildlife Service) (FY 2020-21) $32,540
- U.S. Geological Survey (USGS Cooperative Match Program) $12,500
- Arizona Public Service (APS) $5,840
- Arizona Department of Water Resources $5,840

FY 2020-21 Total Program costs $106,720

Community Benefits and Considerations:

There is a greater benefit to the community, to universities, and to agencies by the City continuing to fund this project. Research agencies and universities depend on quality time-series data for scientific studies. Because the information collected under this agreement is derived from remote areas of northern Arizona, it can be used to evaluate a regional response to climate less influenced by local groundwater pumping, and more so of long-term trends in the greater groundwater system related to aquifer and resource sustainability and changing climate conditions.

Attachments: JFA

United States Department of the Interior

U.S. GEOLOGICAL SURVEY
Arizona Water Science Center
520 North Park
Tucson, AZ 85719

August 13, 2020

Ms. Erin Young
Water Resource Manager
City of Flagstaff
2323 Walgreens St. Suite 1
Flagstaff, AZ 86004

Dear Ms. Young:

Enclosed is a signed original of our standard joint-funding agreement for the C-aquifer Monitoring project, during the period October 1, 2020 through September 30, 2023, in the amount of $74,288 from your agency. U.S. Geological Survey contributions for this agreement are $37,500 for a combined total of $111,788. Please sign and return one fully-executed original to Autumn Henson at the address above.

Federal law requires that we have a signed agreement before we start or continue work. Please return the signed agreement by **October 1, 2020**. If, for any reason, the agreement cannot be signed and returned by the date shown above, please contact Ms. Casey Jones by phone number (928) 556-7331 or email caseyjones@usgs.gov to make alternative arrangements.

This is a fixed cost agreement to be billed quarterly via Down Payment Request (automated Form DI-1040). Please allow 30-days from the end of the billing period for issuance of the bill. If you experience any problems with your invoice(s), please contact Alexis Lopez at phone number (520) 670-3339 or email at aslopez@usgs.gov.

The results of all work performed under this agreement will be available for publication by the U.S. Geological Survey. We look forward to continuing this and future cooperative efforts in these mutually beneficial water resources studies.

Sincerely,

James M Leenhouts
Director

Enclosure
21ZFJFA2100 (2)

Form 9-1366
(May 2018)

U.S. Department of the Interior
U.S. Geological Survey
Joint Funding Agreement
FOR
Water Resource Investigations

Customer #: 6000000790
Agreement #: 21ZFJFA2100
Project #: ZF00C1D
TIN #: 86-6000244

Fixed Cost Agreement YES[X] NO[ ]

THIS AGREEMENT is entered into as of the October 1, 2020, by the U.S. GEOLOGICAL SURVEY, Arizona Water Science Center, UNITED STATES DEPARTMENT OF THE INTERIOR, party of the first part, and the City of Flagstaff party of the second part.

1. The parties hereto agree that subject to the availability of appropriations and in accordance with their respective authorities there shall be maintained in cooperation Water Resource Investigations (per attachment), herein called the program. The USGS legal authority is 43 USC 36C; 43 USC 50, and 43 USC 50b.

2. The following amounts shall be contributed to cover all of the cost of the necessary field and analytical work directly related to this program. 2(b) include In-Kind-Services in the amount of $0.00

(a) $37,500 by the party of the first part during the period October 1, 2020 to September 30, 2023

(b) $74,288 by the party of the second part during the period October 1, 2020 to September 30, 2023

(c) Contributions are provided by the party of the first part through other USGS regional or national programs, in the amount of: $0

Description of the USGS regional/national program: N/A

(d) Additional or reduced amounts by each party during the above period or succeeding periods as may be determined by mutual agreement and set forth in an exchange of letters between the parties.

(e) The performance period may be changed by mutual agreement and set forth in an exchange of letters between the parties.

3. The costs of this program may be paid by either party in conformity with the laws and regulations respectively governing each party.

4. The field and analytical work pertaining to this program shall be under the direction of or subject to periodic review by an authorized representative of the party of the first part.

5. The areas to be included in the program shall be determined by mutual agreement between the parties hereto or their authorized representatives. The methods employed in the field and office shall be those adopted by the party of the first part to insure the required standards of accuracy subject to modification by mutual agreement.

6. During the course of this program, all field and analytical work of either party pertaining to this program shall be open to the inspection of the other party, and if the work is not being carried on in a mutually satisfactory manner, either party may terminate this agreement upon 60 days written notice to the other party.

7. The original records resulting from this program will be deposited in the office of origin of those records. Upon request, copies of the original records will be provided to the office of the other party.

8. The maps, records or reports resulting from this program shall be made available to the public as promptly as possible. The maps, records or reports normally will be published by the party of the first part. However, the party of the second part reserves the right to publish the results of this program, and if already published by the party of the first part shall, upon request, be furnished by the party of the first part, at cost, impressions suitable for purposes of reproduction similar to that for which the original copy was prepared. The maps, records or reports published by either party shall contain a statement of the cooperative relations between the parties. The Parties acknowledge that scientific information and data developed as a result of the Scope of Work (SOW) are subject to applicable USGS review, approval, and release requirements, which are available on the USGS Fundamental Science Practices website (https://www.usgs.gov/about/organization/science-support/science-quality-and-integrity/fundamental-science-practices).

U.S. Department of the Interior
U.S. Geological Survey
Joint Funding Agreement
FOR
Water Resource Investigations

Customer #: 6000000790
Agreement #: 21ZFJFA2100
Project #: ZF00C1D
TIN #: 86-6000244

9. Billing for this agreement will be rendered **quarterly**. Invoices not paid within 60 days from the billing date will bear Interest, Penalties, and Administrative cost at the annual rate pursuant the Debt Collection Act of 1982, (codified at 31 U.S.C. § 3717) established by the U.S. Treasury.

USGS Technical Point of Contact

Name: Casey Jones
Hydrologist
Address: 2255 North Gemini Drive
Flagstaff, AZ 86001
Telephone: (928) 556-7331
Fax:
Email: caseyjones@usgs.gov

Customer Technical Point of Contact

Name: Erin Young
Water Resource Manager
Address: 2323 Walgreens St. Suite 1
Flagstaff, AZ 86004
Telephone: (928) 213-2405
Fax:
Email: eyoung@flagstaffaz.gov

USGS Billing Point of Contact

Name: Alexis Lopez
Budget Technician
Address: 520 N. Park Ave
Tucson, AZ 85719
Telephone: (520) 670-3339
Fax:
Email: aslopez@usgs.gov

Customer Billing Point of Contact

Name: Stacy Brechler-Knaggs
Grants & Contracts Mgr.
Address: 211 W. Aspen Ave.
Flagstaff, AZ 86001
Telephone: (928) 213-2227
Fax:
Email: Sknaggs@flagstaffaz.gov

U.S. Geological Survey
United States
Department of Interior

Signature

By_____ **Date:**
Name: James M Leenhouts
Title: Director

City of Flagstaff

Signatures

By_____ **Date:** _____
Name:
Title:

By_____ **Date:** _____
Name:
Title:

By_____ **Date:** _____
Name:
Title:

A WORKPLAN FOR MONITORING THE C AQUIFER OF THE MIDDLE TO LOWER LITTLE COLORADO RIVER BASIN, ARIZONA

Three-Year Agreement, FY2021 to 2023

-A cooperative program with the Navajo Nation, the City of Flagstaff, and the U.S. Geological Survey-

Prepared by the U.S. Geological Survey Arizona Water Science Center

INTRODUCTION: The U.S. Geological Survey (USGS) Arizona Water Science Center (AZWSC), the City of Flagstaff, and the Bureau of Indian Affairs Navajo Nation (Navajo-BIA) collaborate in a cooperative groundwater-monitoring program for the C aquifer near Flagstaff, Arizona, that focuses on the middle to lower Little Colorado River Basin. The C-aquifer Monitoring Program began in 2005, and the City of Flagstaff became a cooperator in 2012. The area of study specifically lies between Flagstaff and east of Winslow, Arizona, where the greatest potential for groundwater development exists. The monitoring program was established at the request of Navajo-BIA and the Navajo and Hopi Tribes to develop a monitoring network that will help to understand the current base-flow conditions of the C aquifer in this area. The C aquifer is planned to be used by the tribes, the City of Flagstaff, and others to meet future water-supply demands. From 2005-2012, funding support to monitor the C aquifer was provided by the Navajo-BIA and the USGS, and in 2012 the City of Flagstaff joined the cooperative effort. The City of Flagstaff recognizes the importance of monitoring this critical area and their continued participation in the monitoring effort is important to the ongoing monitoring project. One benefit of having the City as a funding partner is that the USGS is able to provide cooperative funding to the program. The USGS can provide cooperative funding to non-federal partners such as the City of Flagstaff, but the USGS cannot contribute cooperative funds towards Navajo-BIA funding. Funding from the City of Flagstaff for the past eight years has made it possible for the USGS to match the City's funding. Another important benefit of funding from the City is that the Navajo-BIA funding support for the program is leveraged with the additional funding on an annual basis allowing BIA to continue funding support. In 2020, additional cooperators agreed to fund installation, operation, and maintenance of a streamflow gage on Chevelon Creek, Chevelon Creek near Winslow, AZ (09398000) in fiscal year 2021. The agreements are for one year, but cooperators agree on the benefit of ongoing data collection to observe trends in flow. At the end of one year, the agreements will be revisited. Cooperators involved in funding the streamflow gage are the City of Flagstaff, Arizona Public Service (APS), Coconino Plateau Watershed Partnership, US Fish & Wildlife, Arizona Department of Water Resources, and the USGS AZWSC. The City of Flagstaff's participation in the cooperative group monitoring the C aquifer is central to continuing this work for the next three-year period and potentially longer.

The C-aquifer is a large regional aquifer system in the Little Colorado River Basin with potentially several hundred million acre-feet of water in storage (McGavock and others,

1986; Bills and others, 2000; Hart and Others, 2002; and Bureau of Reclamation, 2006). The aquifer is used as a source of water for domestic, municipal, industrial, agricultural, and recreational water uses where the water quality is good throughout the Little Colorado River Basin. Groundwater withdrawals from the C-aquifer in the Little Colorado River Basin totaled about 140,100 acre-feet in 1995 (Hart and others, 2002). This amount is a little less than half of the average annual, natural discharge from the basin of 319,000 acre- feet (Hart and others, 2002). Water demand mainly for municipal, industrial, and agricultural uses has resulted in substantial drawdown of the potentiometric surface (the water table) in the central and upper parts of the basin.

Continuing growth and development in Northern Arizona have resulted in the continuing development of water supply from the C-aquifer in the middle and lower parts of the Little Colorado River Basin to meet future water demands. Several aquifer tests have been conducted in the area of the aquifer to the south of Leupp on the Navajo Reservation, along I-40 to the west of Winslow, and the area to the north of Moenkopi that indicated that the C- aquifer in these areas is likely to be very productive (City of Flagstaff, 2014; Hoffmann and others, 2006; Bureau of Reclamation, 2005; and Hopi Tribe, 2003). The Navajo Nation has expressed concern that groundwater resources of the C-aquifer in the Little Colorado River Basin are being affected by groundwater withdrawals for municipal, agriculture, and industrial water uses on the southwestern reservation boundaries.

Proposed groundwater development from the C-aquifer include: 1) Future water supply for communities in the western and southern parts of the Navajo Indian Reservation, 2) the future source of municipal water supply for the City of Flagstaff (Red Gap Ranch), 3) water supply for development along the I-40 corridor between Flagstaff and Winslow, and 4) water supply to support continuing development along the Little Colorado River Valley up gradient from Leupp. Future demands for groundwater resources in this area have the potential to affect groundwater withdrawals and the water quality in the basin, which may include a reduction to the base flow of perennial streams such as Clear Creek and Chevelon Creek (Leake and others, 2005; S.S. Papadopulos and Associates, Inc., 2005), or further reduce the availability of water to the Little Colorado River and Little Colorado River alluvium which are already affected by existing upstream water uses. Additional development of groundwater resources from other water-bearing zones in this area could also occur to improve water supplies for communities in the western and southern parts of the Navajo Indian Reservation with unknown impacts to the C aquifer. Arizona Public Service (APS) Cholla Power Plant closed one of its production units in April 2016. The power plant is scheduled to close the remaining two units by the mid 2020's. Since groundwater from the C aquifer is the sole source of water supply for the power plant for cooling, closure of the plant is expected to have significant impacts on the availability and quality of groundwater in the region.

OBJECTIVE: The overall objective of the program is to monitor groundwater and surface water conditions for the C aquifer in the Flagstaff to east of Winslow area. The USGS will monitor for long-term changes in groundwater levels and changes in the base flow of Clear Creek, Chevelon Creek, and the Little Colorado River.

Groundwater resources of the C aquifer in the Little Colorado River Basin are already being affected by current withdrawals for municipal, agriculture, and industrial water uses throughout the upper and middle parts of the basin. Potential, additional groundwater withdrawals from the C aquifer, especially east of Flagstaff toward the Little Colorado River, could compound the effects of groundwater withdrawals in the basin. The specific objectives of this monitoring program are:

1) Monitor groundwater conditions in the C aquifer via observation wells.

2) Collect and provide information on groundwater resources for the protection of native and endangered species that depend on the base-flow discharge from the C-aquifer to Clear Creek, Chevelon Creek, and the Little Colorado River.

3) Document changes in flow and water-quality field parameters of the C-aquifer and adjacent water-bearing zones that may impact the use of these water resources.

PROJECT DESCRIPTION/SCOPE OF WORK:

Methodology

The USGS proposes to continue operation and maintenance of a core monitoring network of selected wells and sampling sites during this 3-year cooperative agreement. The C-aquifer Monitoring Program work plan is dependent on funding from cooperators. If the full funding needs are not met, then the work plan is revised to include those tasks that can be funded at the available funding level. The monitoring network includes:

1. Five continuous-record observation wells, with satellite telemetry and quarterly check measurements, and additional maintenance as needed (table 1). Real-time data are available from these sites at: *http://waterdata.usgs.gov/az/nwis/current/?type=gw*

2. Produce a daily values water-level record for these five sites for the current water year.

3. Measurement of quarterly water levels by the USGS at 17 observation wells located in the C aquifer between Flagstaff and Winslow, AZ (table 2). Also includes quarterly and annual C-aquifer well data provided by the City of Flagstaff and Arizona Department of Water Resources

(ADWR) as part of this water-level network (Fig. 1).

4. Conduct a base-flow evaluation when possible consisting of up to 24 sites on Clear Creek, Chevelon Creek, and on the Little Colorado River from Chevelon Creek to Clear Creek for comparison to the base-flow evaluations conducted in the summers 2005, 2006, 2008, 2012, 2015, 2018, 2019, fall 2017, and winter 2010 (Fig. 2).

5. Install, operate, and maintain a streamflow gaging station (Chevelon Creek near Winslow, AZ, 09398000) (Fig. 3).

6. Develop a rating curve and compute discharge measurements to publish on the USGS NWIS webpage: *https://waterdata.usgs.gov/nwis/sw*

7. Develop a draft report of findings if requested and if funding is available.

8. Develop an interactive website on usgs.gov displaying information, sites, and data if funding is available.

9. Work with other Federal, Tribal, State, and local partners to develop additional financial support for this study or with in-kind services, so that partners can be included as cost-sharing efforts.

DELIVERABLES: The following deliverables will be provided to all cooperators based on the field data collected and on the above methodology. Data from the monitoring program are available online via the USGS National Water Information System (NWIS) and can be provided to the Navajo Nation and the City of Flagstaff upon request. Cooperators will also be provided courtesy review copies of planned reports that will be published by the USGS.

1. The USGS will publish on-line all data collected for the program with corresponding USGS site numbers on the USGS NWIS Web (Tables 1 - 3).
http://waterdata.usgs.gov/az/nwis/current/?type=gw and *https://waterdata.usgs.gov/nwis/sw*

2. USGS will provide additional miscellaneous data as appropriate related to this program, and as required by the USGS Data Management Protocol.

3. Copies of publications or reports that USGS presents at conferences or meetings.

TASK / BUDGET/TIME LINE FOR EACH FISCAL YEAR 2021-2023

1. Project oversight. **$21,400**

4 month	
Labor (1 hydrologist, 1 hydrologic technician)	$20,400
Travel	$ 1,000

2. Maintenance, operation and processing of 5 continuously monitored observation wells with telemetry (Table 1 and Fig. 1). **$25,000**

4 months	
Labor (1 hydrologic technician)	$21,500
Travel	$ 2,000
Supplies	$ 1,500

3. Quarterly water-level measurements at observation wells (Tables 1 and 2). **$5,600**

4 months	
Labor (1 hydrologic technician)	$ 3,800
Travel	$ 500
Supplies	$ 1,300

4. Conduct a base flow evaluation consisting of 12 sites on Clear Creek, Chevelon Creek, and on the Little Colorado River from Chevelon Creek to Clear Creek (Fig. 2)

1 month	**$14,000**
Labor (one Hydrologist, 3 hydrologic technicians)	$ 9,000
Travel	$ 2,800
Supplies	$ 2,200

5. Install, operate, and maintain a streamflow gaging station on Chevelon Creek (Table 3 and Fig. 3) **$35,200**

Setup costs	$ 16,000
Annual monitoring costs	$ 19,200

6. Interactive USGS website development *begin* **$5,520**

FY21 Total Program costs **$106,720**

Cost Sharing:	**Amount**
Navajo Nation (FY21 request)	$50,000
City of Flagstaff (with funding from Coconino Plateau Watershed Partnership and US Fish & Wildlife Service) (FY21)	$32,540
U.S. Geological Survey (USGS Cooperative Match Program)	$12,500
Arizona Public Service (APS)	$5,840
Arizona Department of Water Resources	$5,840
FY21 Total Program costs	**$106,720**

FUNDING BY YEAR

	FY21	**FY22**	**FY23**
Navajo Nation	$50,000	$50,000	$50,000
City of Flagstaff	$32,540	$20,874	$20,874
• *Coconino Plateau Watershed Partnership*	*($5,840)*	*($4,174)*	*($4,174)*
• *US Fish & Wildlife Service*	*($10,000)*		
USGS	$12,500	$12,500	$12,500
Arizona Public Service (APS)	$5,840	$4,174	$4,174
Arizona Department of Water Resources	$5,840	$4,174	$4,174
TOTAL BY YEAR =	$106,720	$91,722	$91,722

PAST ACCOMPLISHMENTS

1997-2005

Groundwater monitoring network supported by the National Park Service

2005

USGS and BIA establish current monitoring program

BIA primary funding partner, NPS no longer funding partner

Establish network of 24 quarterly observation wells

1st Base-flow evaluation of Chevelon Creek, Clear Creek, and part of the Little Colorado River

2006

3 USGS streamflow gaging stations established on Chevelon and Clear Creek.

5 Continuous recording, telemetered observation wells instrumented near Leupp and Winslow, AZ. 2nd Base-flow evaluation of Chevelon Creek, Clear Creek, and part of the Little Colorado River

2007

Program discontinued due to lack of funding

2008

Program re-established with BIA funding and ADWR in-kind support

3rd Base-flow evaluation of Chevelon Creek, Clear Creek, and part of the Little Colorado River

2010

4th Base-flow evaluation (1st winter evaluation)

2011-2012

5th Base-flow evaluation

USGS publication describing C aquifer results from 2005-2011

2015

Presentation of C-aquifer monitoring program to the Coconino Plateau Watershed Partnership

6th Base-flow evaluation

2016

Slug test of the Winslow-T well to verify aquifer connection

2017

7th Base-flow evaluation, (1st fall evaluation, September 2017)

2018

8th Base-flow evaluation

2019

9th Base-flow evaluation, (1st fall evaluation, September 2017)

Presentation of C-aquifer monitoring program to the Coconino Plateau Watershed Partnership

Presentation of C-aquifer monitoring program to the Coconino Plateau Technical Advisory Committee

Presentation of C-aquifer monitoring program at the Geological Society of America Fall Meeting 2020 in Phoenix, Arizona

2020

USGS publication describing C aquifer results from 2012-2019

Additional cooperators secured for streamflow gaging station on Chevelon Creek (Arizona Public Service (APS), Coconino Plateau Watershed Partnership, US Fish & Wildlife, Arizona Department of Water Resources)

HISTORY OF FUNDING FOR THE C AQUIFER PROJECT

C Aquifer Project	BIA Navajo	National Park Service	US Geological Survey	Arizona Dept. Water Resources	City of Flagstaff
FY 1997		$15,000			
FY 1998		$15,000			
FY 1999		$15,000			
FY 2000		$15,000			
FY 2001		$17,510			
FY 2002		$17,510			
FY 2003		$38,000			
FY 2004		$18,000			
FY 2005	$234,000				
FY 2006	$278,840		$3,860		
FY 2007			*$25,000		
FY 2008	$50,000				
FY 2009	$57,197		$10,149		
FY 2010	$60,000			*$4,400	
FY 2011	$84,212		$13,600	*$4,400	
FY 2012	$50,000		$10,000	*$4,500	$10,000
FY 2013	$50,000		$10,000	*$4,500	$10,000
FY 2014	$25,000		$7,500	*$4,600	$10,000
FY 2015	$50,000		$7,500	*$4,600	$10,000
FY 2016	$48,750		$7,500	*$5,000	$10,000
FY 2017	$48,750		$7,500	*$5,000	$10,000
FY 2018	$50,000		$7,500	*$5,000	$16,700
FY 2019	$50,000		$7,500	*$5,000	$16,700
FY 2020	$50,000		$7,500	*$5,000	$16,700

*In-kind services

TABLES AND FIGURES

Table 1. Observation wells with satellite telemetry and quarterly check measurements.

Site Name	Site ID	Station Number
OW-1	351022111061801	05 145-05.92X05.31
OW-2B	351214111022101	05 145-02.25X03.18
OW-3A shallow	350959110562303	05 144-10.70X05.71(2)
Winslow T	345603110450301	(A18-15) 28aad
Winslow I-40	350002110355501	(A-19-16) 36dbb

Table 2. Quarterly observation wells measured by the USGS

Site Name	Site ID	Station Number	Well owner
Sunshine Well	350706111014701	A-20-12H13CBB	Hopi
PW-1A	351023111062002	05 145-05.96X05.28 (2)	Navajo
PW-2B	351213111022101	A-21-12H 14C UNSURV	Navajo
OW-2A Shallow	351216111021902	05 145-02.14X03.14 (2)	Navajo
OW-2A Middle	351216111021903	05 145-02.14X03.14 (3)	Navajo
OW-2A Deep	351216111021904	05 145-02.14x03-14 (4)	Navajo
PW-2A	351218111021701	05 145-02.12X03.09	Navajo
PW-3	350957110562601	05 144-10.76X05.75	Navajo
OW-3A Deep	350959110562302	05 144-10.70X05.71 (2)	Navajo
OW-3C Shallow	350956110562002	05 144-10.67X05.72 (2)	Navajo
OW-3C Middle	350956110562003	05 144-10.67X05-72 (3)	Navajo
OW-3C Deep	350956110562004	05 144-10.67X05.72 (4)	Navajo

Table 3. Streamflow gaging station with continuous discharge measurements.

Site Name	Site ID
Chevelon Creek near Winslow, AZ	09398000

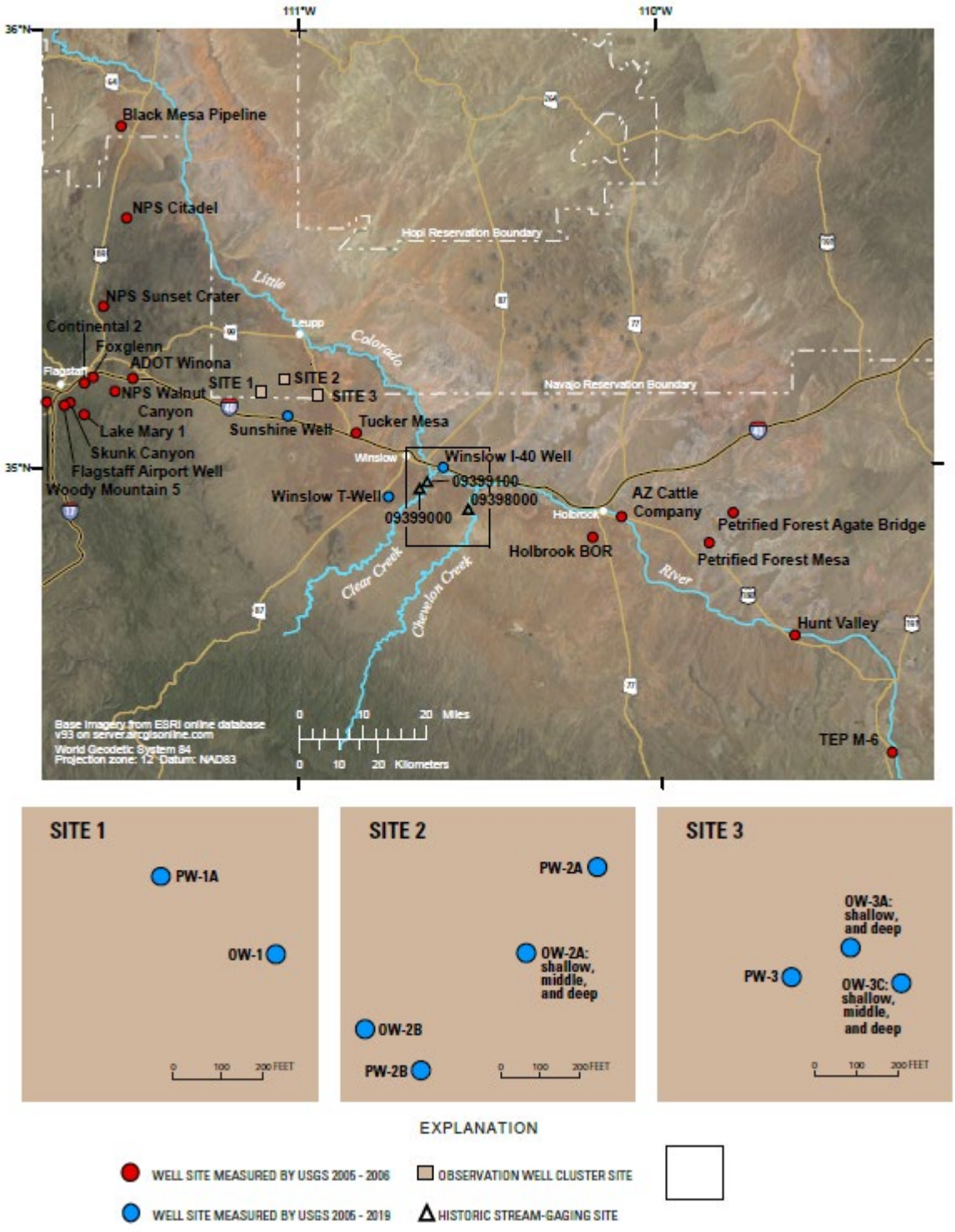


Figure 1. Locations of observation wells and discontinued streamflow-gaging station sites included in this study, northeastern Arizona. A detailed view of the well cluster sites near Leupp is shown below the map. Sections modified from Hoffmann and others, 2006.

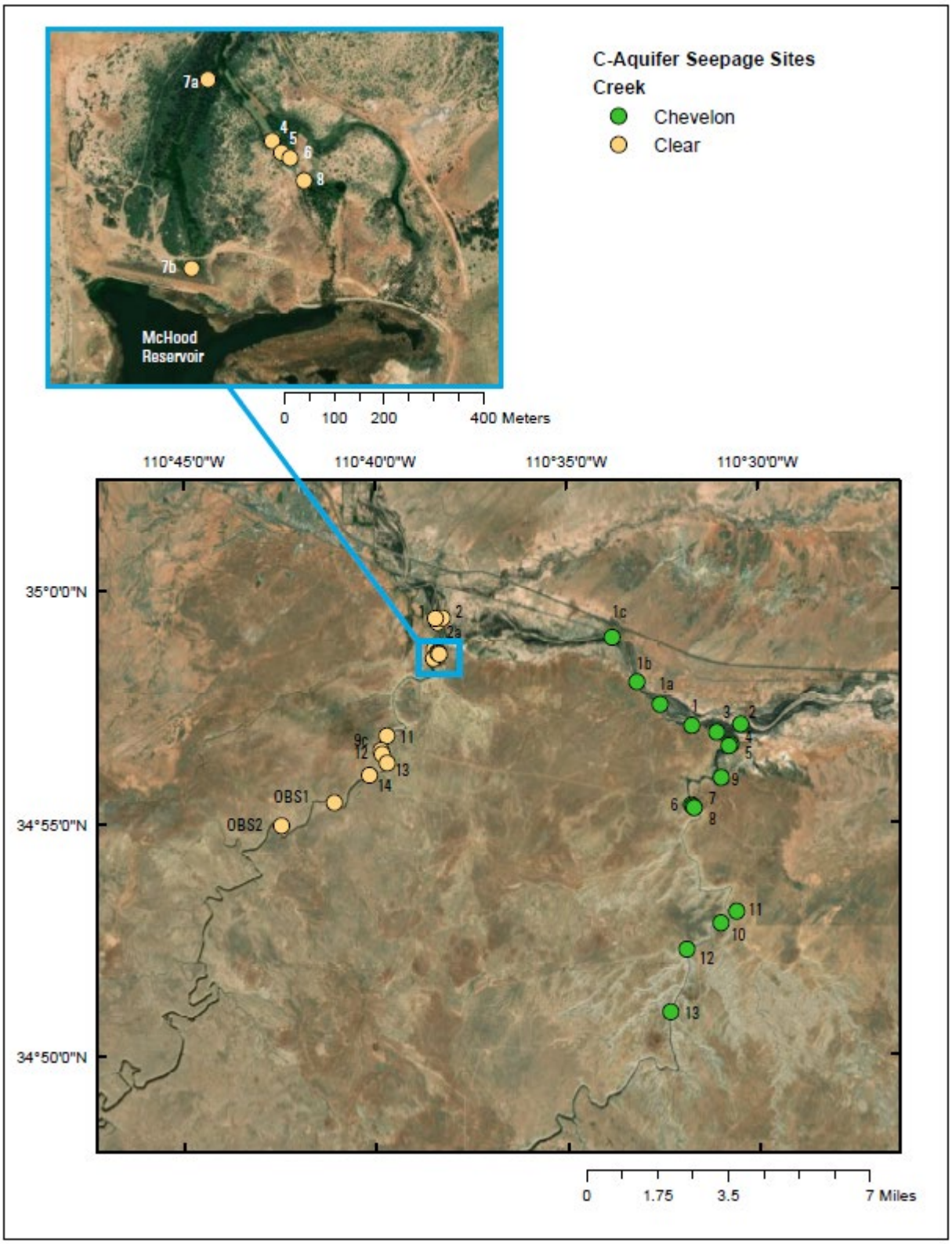


Figure 2. Locations of C-aquifer baseflow investigation sites along Clear Creek, Chevelon Creek, and the Little Colorado River, northeastern Arizona.

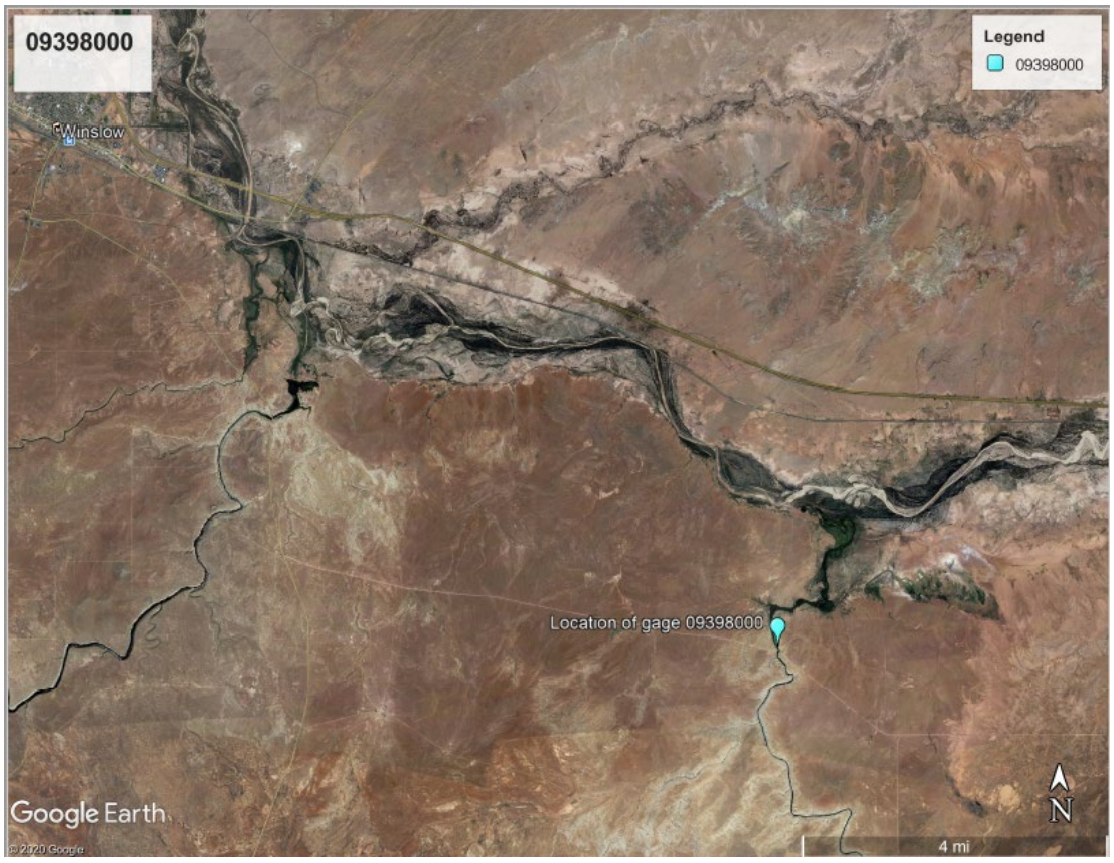


Figure 3. Location of proposed gage Chevelon Creek near Winslow, AZ (09398000) (GPS coordinates: 34°55'29.03"N, 110°31'45.20"W).

10. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Tiffany Antol, Planning Director
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Adoption of Development Fee Study and Ordinance No. 2020-25: Development Fee Study prepared by TischlerBise; and an Ordinance of the Flagstaff City Council amending Flagstaff City Code, Title 3, Business Regulations, Chapter 3-11 Development Fees, by adopting revised Public Safety development fees.

STAFF RECOMMENDED ACTION:

At the October 20, 2020 Council Meeting:

1) Adopt Development Fee Study
2) Read Ordinance No. 2020-25 by title only for the first time
3) City Clerk reads Ordinance No. 2020-25 by title only (if approved above)

At the November 3, 2020 Council Meeting:

4) Read Ordinance No. 2020-25 by title only for the final time
5) City Clerk reads Ordinance No. 2020-25 by title only (if approved above)
6) Adopt Ordinance No. 2020-25

Executive Summary:

Arizona Revised Statute § 9-463.05 allows a municipality to assess development fees to offset costs to the municipality associated with providing necessary public services to a development, including the costs of infrastructure, improvements, real property, engineering and architectural services, as well as financing and professional services required for the preparation or revision of a development fee, including the required land use assumptions and infrastructure improvements plan. Municipalities are required to update their land use assumptions and infrastructure improvements plan at least every five years.

Development fees assessed by the City are required to result in a beneficial use to the development and may not exceed a proportionate share of the cost of necessary public services to the development. Development fees can only be used for public services identified in the adopted infrastructure improvement plan including construction, acquisition, or expansion of public facilities. Development fees may not be used for repair or maintenance of existing or new public services, or for facility expansions. Also, the statute requires fees must be collected at the time the building permit is issued and cannot be delayed until the certificate of occupancy.

Financial Impact:

Development fees collected will be used to help fund capital improvements and equipment necessary to meet the demand generated by new residential and non-residential growth. The alternative to development fees is to identify the impact of each project during the entitlement process and include public safety fees in a project development agreement, then either to fund increased demand through general fund revenues, or decrease the level of service.

Policy Impact:

The City is in the process of completing the steps required by the State of Arizona to support continuation of the public safety development fee program. Staff believes development fees provide a consistent and predictable expense for the construction industry and predictable revenue for the City's public safety capital budget.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Safe & Healthy Community

- Foster a safe, secure, and healthy community.
- Provide public safety with the resources, staff and training to respond to community needs.

High Performing Governance

- Enhance the organization's fiscal stability and increase efficiency and effectiveness.

Regional Plan

Goal CD.1 - Improve the City and County financial systems to provide for needed infrastructure development and rehabilitation, including maintenance and enhancement of existing infrastructure.
Policy CD.1.3. - Analyze the feasibility of expanding development fees within the City of Flagstaff, which may enable future development to provide for adequate off-site improvements and facilities.
Policy CD.1.5 - Require that new development pay for a fair and rough proportional share of public facilities, services, and infrastructure.

Has There Been Previous Council Decision on This:

The City of Flagstaff adopted police and fire development fees in 2008. Since then the public safety development fees have been readopted twice: in 2011 and in 2014.

The City Council held a work session on the draft Land Use Assumptions (LUA) and Infrastructure Improvement Plan (IIP) on January 7, 2020. The City Council then held a public hearing on the draft LUA and IIP on February 28, 2020. The Council agreed with the direction to schedule the adoption of the LUA and IIP for April 7, 2020. After the adoption of the LUA and IIP, another work session was held with Council on June 30, 2020, to discuss what fees should be adopted. A public hearing on the proposed development fees was held on September 15, 2020.

Options and Alternatives:

1. City Council may adopt the Ordinance as presented with an anticipated effective date of January 17, 2021.
2. City Council may proportionally decrease the fees presented in the Ordinance then adopt as amended with an anticipated effective date of January 17, 2021.
3. City Council may reject the proposed Ordinance and allow the impact fee program to sunset on January 17, 2021.

Background/History:

At the January 7, 2020 work session, City consultant TischlerBise provided an overview of the draft Land Use Assumptions (LUA) and Infrastructure Improvement Plan (IIP). After receiving public input at the February 18, 2020 public hearing, Council adopted the LUA and IIP on April 7, 2020.

The Land Use Assumptions (LUA) are found in Appendix C (page 22) of the November 3, 2020 TischlerBise report. The LUA provides demographic estimates and development projections that are used to prepare the IIP and calculate development fees. Key land use assumptions for the City of Flagstaff development fee study are population, housing units, and employment projections. During the next 10 years, citywide development projections indicate an average increase of approximately 560 housing units per year and approximately 130,000 square feet of nonresidential floor area per year. The LUA provides an analysis of single-family and multi-family residential units by bedroom size. The average person per household increases as the number of bedrooms increase, thus increasing the demand for services. This methodology provides a more accurate estimate of the demand generated by residential units.

The report also includes the methodology to develop the IIP for both fire and polices services. Development fees for the necessary public services required for new development must be based on the same level of services (LOS) provided to existing development in the service area. There are three basic methodologies used to calculate development fees. They examine the past, present, and future status of infrastructure. Reduced to its simplest terms, the process of calculating development fees involves two main steps: 1) determining the cost of development-related capital improvements and 2) allocating those costs equitable to various types of development.

Fire fees will be used to fund facilities, apparatus, and communications equipment as well as the cost of preparing the Fire Facilities IIP and related Development Fee Report. Polices fees will provide for facilities, vehicles, and communications equipment. The demand for specific services is summarized through the IIP and schedules of Fire Facilities Development Fees (Figure F11, page 17) and Police Facilities Development Fees (Figure P11, page 28) are found in the report.

Key Considerations:

Development fees assessed provide a predictable standard that all developers and builders can plan for as they consider new projects in our community. Should development fees not be assessed, a similar financial consideration for maintaining current public safety levels may be considered. However, negotiations with each developer will occur separately which may result in an unequal and inconsistent burden due to the timing and result of each project.

Community Benefits and Considerations:

Development fees assess new development their fair share of the costs to expand services that will maintain the current level of service. Alternative funding sources would be required to maintain services or a reduction in the level of service to the entire community could be considered.

Community Involvement:

Inform: The attached report was published on the City's website as is required by Arizona Revised Statutes. A public hearing notice was published in the Arizona Daily Sun on Saturday, August 15, 2020.

Consult: Two public hearings have been held in relation to the adoption of public safety development fees. The first was specific to the adoption of the Land Use Assumptions and Infrastructure Improvement Plan while the second was in regards to the proposed development fee study. Throughout this last year, staff has made presentations and provided additional information to the Chamber of Commerce, City of Flagstaff Housing Commission and Planning & Zoning Commission, Northern Arizona Building Association, and the Northern Arizona Association of Realtors.

Expanded Options and Alternatives:

1. City Council may adopt the Ordinance as presented with an anticipated effective date of January 17, 2021.
2. City Council may decrease the fees proportionately and adopt the Ordinance as amended with an effective date of January 17, 2021.
3. City Council may reject the proposed Ordinance and allow the impact fee program to sunset on January 17, 2021.

Attachments: Ord. 2020-25
LUA, IIP and Development Fee Study
Presentation

ORDINANCE NO. 2020-25

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 3, BUSINESS REGULATIONS, CHAPTER 3-11 DEVELOPMENT FEES, TO ASSESS DEVELOPMENT FEES ON NEW DEVELOPMENT; PROVIDING FOR SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, the City of Flagstaff is authorized pursuant to Arizona Revised Statutes § 9-463.05 to assess development fees on new development to offset costs to the municipality associated with providing necessary public services, the demand for which is created by new development; and

WHEREAS, on October 21, 2008, the City Council adopted Ordinance No. 2008-28, an ordinance that provided for, among other things, a police and fire protection development fee pursuant to A.R.S. 9-463.05; and

WHEREAS, on April 26, 2011, Governor Jan Brewer signed into law SB 1525, a bill that significantly amended A.R.S 9-463.05 by, among other things, changing how fees are calculated and how municipalities are to administer them; and

WHEREAS, on December 20, 2011, the City Council adopted Ordinance No. 2011-32, an ordinance that, among other things, revised the City's police and fire protection development fees pursuant to SB 1525; and

WHEREAS, on May 14, 2014, the City Council adopted Ordinance No. 2014-10, an ordinance that provided additional revisions to the City's police and fire protection development fees pursuant to SB 1525; and

WHEREAS, the City has commissioned, and the City's consultant TishchlerBise has conducted, an analysis of the City's police and fire protection development fees in accordance with A.R.S. 9-463.05; and

WHEREAS, the City Council has reviewed the conclusions of TischlerBise, has reviewed the proposed adjustments to the City's police and fire protection development fees, and has determined that revisions to these development fees are necessary.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. Adoption of the Development Fee Study

The City Council adopted the Land Use Assumptions and Infrastructure Improvement Plan

prepared by TischlerBise on April 7, 2020 and the Development Fee Study prepared by TischlerBise on October 20, 2020. The Land Use Assumptions, Infrastructure Improvement Plan and Development Fee Study attached hereto as Exhibit A and incorporated herein supports the development fees adopted by this Ordinance.

SECTION 2. In General

That Title 3 of the Flagstaff City Code, Business Regulations, Chapter 3-11 Development Fees, is hereby amended as follows:

Division 3-11-001

In General

Section 3-11-001-0002 Definitions

Except as otherwise indicated herein, the words or phrases used herein shall have the meaning prescribed in Chapter 10-**80**~~14 of Land Development Code~~ of the ~~City of~~ Flagstaff **Zoning Code**:

D. Infrastructure Improvement Plan and Development Fee Study ("IIP and Fee Study"): a report prepared in support of **the o**~~O~~rdinance **adopting a Development Fee,** ~~No. 2008-28 by TischlerBise, dated August 28, 2007~~ which ~~report~~ sets forth the methodology and basis for the calculation of the impact of new development and the proper and proportional amount of the development fee to be assessed against new development as required by Arizona Revised Statutes § 9-463.05(C).

G. **Multi-Family Residential: a minimum of 3 residential dwelling units permitted under the same building permit application.**

~~G~~H. New Development: any new construction, reconstruction, redevelopment, rehabilitation, structural alteration, structural enlargement, structural extension, or new use which requires a building permit or any change in use of an existing building, structure, or lot requiring any form of City approval, which increases the demand for one (1) or more Public Facilities, except as otherwise provided in §**3**~~10~~-**11**~~18~~-001-0003 of this Chapter.

~~H. Office: See Division 10-03-002-0005 A.~~

I. Offset: a waiver, reimbursement, or credit of certain required development fees, pursuant to § **3**~~10~~-**11**~~18~~-002-0003, in exchange for the provision by the applicant of, among other things, monetary contributions, dedication of land, or actual construction of all or part of a Public Facility included within the first five years of the City's IIP.

L. Single-Family Detached Dwelling **Residential**: ~~means~~ a **maximum of two attached or detached** dwelling**s under individual building permit applications.** ~~designed and used for single-family use as defined in § 10-03-002-0003.~~

Section 3-11-001-0003 General Provisions; Applicability

D. Type of Development Not Affected. This Chapter shall not apply to:

2. No Net Increase in Dwellings **or Bedrooms**. No development fee shall be imposed on any new residential development that does not result in the creation of a new dwelling **or increase in number of bedrooms.**

E. Effect of Payment of Development Fees on Other Applicable City Land Use, Zoning, Platting, Subdivision or Development Regulations.

2. This Chapter shall not affect, in any manner, the permissible use of property, density/intensity of development, design and improvement standards or other applicable standards or requirements of the ~~City of~~ Flagstaff **Zoning** ~~Land Development~~ Code, which shall be operative and remain in full force and effect without limitation.

Division 3-11-002

Procedures for Imposition, Calculation and Collection of Development Fees

Section 3-11-002-0002 Calculation

A. Upon receipt of an application for a building permit, the City shall determine (a) whether it is a residential or non-residential use, (b) the specific category of residential or non-residential development, if applicable, (c) if residential, the number of new dwellings **and/or bedrooms**, and (d) if non-residential, the number of new or additional square feet of gross floor area or hotel rooms of the proposed use.

D. If the type of land use proposed for new development is not expressly listed in the particular development fee ordinance and schedule, the City shall:

3. at the option of the applicant or Planning Director, determine the basis used to calculate the fee pursuant to an independent impact analysis for development fee calculation. Whether initiated by the applicant or the Planning Director, the following shall apply:

(d) The final decision of the Planning Director may be appealed pursuant to Division **3**~~10~~-**11**~~18~~-004 of this Chapter.

Section 3-11-002-0003 Offsets

D. The amount of an excess contribution, if any, shall be determined by the City upon receipt of a request for an offset; provided, however, that (a) the City will grant no offset for excess contributions from development fee funds unless and until the particular development fee account has sufficient revenue to make the offset without jeopardizing the continuity of the City's Infrastructure Improvement Plan and (b) the excess contribution may not be transferred or credited to any other category of Public Facility development fees calculated to be due from that development. However, nothing herein shall prohibit the City from contributing non-development fee funding to a developer's excess contribution. The determination of the eligibility for and the amount of the offset shall be made by the City. If the applicant contends that any aspect of the City's decision constitutes an abuse of discretion, the applicant shall be entitled to appeal pursuant to Division **3**~~10~~-**11**~~18~~-004 of this Chapter.

Division 3-11-003

Establishment of Development Fee Accounts; Appropriation of Development Fee Funds; and Refunds

Section 3-11-003-0002 Appropriation of Development Fee Funds

A. In General. Subject to the provisions of § **3**~~10~~-**11**~~18~~-003-0002**(B)**(2), below, development fee funds may be appropriated for Public Facilities, Public Facility expenditures, and the payment of principal, interest and other financing costs on contracts, bonds, notes or other obligations issued by or on behalf of the City to finance Public Facilities and Public Facility Expenditures.

Section 3-11-003-0003 Procedure for Appropriation of Development Fee Funds

A. Each year the City shall identify Public Facility projects anticipated to be funded in whole or in part with development fees. The Public Facility recommendations shall be based upon the development fee annual reports set forth in Division **3**~~10~~-**11**~~18~~-006 of this Chapter, and such other information as may be relevant, and may be part of the City's annual budget and infrastructure improvements planning process.

Section 3-11-003-0004 Refunds

A. Eligibility.

2. Failure of City to Appropriate Development Fee Funds Within Time Limit. The current property owner may apply for a refund of development fees paid by an applicant if the City has failed to appropriate the development fees collected from the applicant within the time limit established in §**3**~~10~~-**11**~~18~~-003-0002.

F. Due to Timeliness. Applications for refunds due to the failure of the City to appropriate development fees collected from the applicant within the time limits established in §**3**~~10~~-**11**~~18~~-003-0002 shall be made within one (1) year following the expiration of such time limit. The applicant shall submit: (a) evidence that the applicant is the property owner or the duly designated agent of the property owner, (b) the amount of the development fees paid by Public Facility category and receipts evidencing such payments, and (c) description and documentation of the City's failure to appropriate development fee funds for relevant public facilities.

Division 3-11-007

Police and Fire Protection Development Fee

Section 3-11-007-0001 Development Fee for Residential Development

~~**Residential (per housing unit)**~~	~~**Fire**~~	~~**Police**~~	~~**TOTAL**~~
~~Single-family residential:~~	~~$182~~	~~$366~~	~~$548~~
~~Multifamily residential:~~	~~$170~~	~~$342~~	~~$512~~

Residential Development	Fees per Unit		
Development Type	Fire	Police	Total
Single-Family Units			
0-1 Bedrooms	$778	$385	$1,163
2 Bedrooms	$892	$442	$1,334
3 Bedrooms	$1,071	$531	$1,602
4+ Bedrooms	$1,357	$672	$2,029
Multi-Family Units			
0-1 Bedrooms	$643	$319	$962
2 Bedrooms	$896	$444	$1,340
3+ Bedrooms	$1,352	$670	$2,022

Section 3-11-007-0002 Development Fee for Nonresidential Development

~~Nonresidential (per sq. ft. unless otherwise noted)~~	~~Fire~~	~~Police~~	~~TOTAL~~
~~Commercial:~~	~~$0.29~~	~~$0.59~~	~~$0.88~~
~~Office:~~	~~$0.11~~	~~$0.23~~	~~$0.34~~
~~Industrial Flex~~	~~$0.03~~	~~$0.08~~	~~$0.11~~

Nonresidential Development	Fees per Square Foot		
Development Type	Fire	Police	Total
Industrial/Flex	$0.40	$0.10	$0.50
Commercial/Retail	$0.81	$0.78	$1.59
Office/Institutional	$1.03	$0.30	$1.33
Hotel (per room)	$202	$263	$465
Nursing Home (per bed)	$364	$96	$460
Assisted Living (per bed)	$212	$82	$294

SECTION 3. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 4. Severability

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 5. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 6. Effective Date

This Ordinance shall be effective seventy-five (75) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 3rd day of November, 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Exhibits:

Land Use Assumptions, Infrastructure Improvements Plan, and Development Fee Report

Land Use Assumptions, Infrastructure Improvements Plan, and Development Fee Report

Prepared for:
Flagstaff, Arizona

October 20, 2020

TischlerBise
FISCAL | ECONOMIC | PLANNING

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EXECUTIVE SUMMARY

The City of Flagstaff, Arizona, contracted with TischlerBise to document land use assumptions, prepare the Infrastructure Improvements Plan (hereinafter referred to as the "IIP"), and update development fees within the Flagstaff Development Fee Service Area pursuant to Arizona Revised Statutes ("ARS") § 9-436.05 (hereafter referred to as the "Enabling Legislation"). Municipalities in Arizona may assess development fees to offset infrastructure costs to a municipality for necessary public services. The development fees must be based on an Infrastructure Improvements Plan and Land Use Assumptions. The IIP for each type of infrastructure is in the middle section of this document. The proposed development fees are displayed in the Development Fee Report in the next section.

Development fees are one-time payments used to construct system improvements needed to accommodate new development. The fee represents future development's proportionate share of infrastructure costs. Development fees may be used for infrastructure improvements or debt service for growth related infrastructure. In contrast to general taxes, development fees may not be used for operations, maintenance, replacement, or correcting existing deficiencies. This update of Flagstaff's Infrastructure Improvements Plan and associated update to its development fees includes the following necessary public services:

1. Fire Facilities
2. Police Facilities

This plan includes all necessary elements required to be in full compliance with SB 1525.

ARIZONA DEVELOPMENT FEE ENABLING LEGISLATION

The Enabling Legislation governs how development fees are calculated for municipalities in Arizona.

Necessary Public Services

Under the requirements of the Enabling Legislation, development fees may only be used for construction, acquisition or expansion of public facilities that are necessary public services. "Necessary public service" means any of the following categories of facilities that have a life expectancy of three or more years and that are owned and operated on behalf of the municipality: water, wastewater, storm water, library, street, fire, police, and parks and recreational. Additionally, a necessary public service includes any facility that was financed before June 1, 2011 and that meets the following requirements:

1. Development fees were pledged to repay debt service obligations related to the construction of the facility.
2. After August 1, 2014, any development fees collected are used solely for the payment of principal and interest on the portion of the bonds, notes, or other debt service obligations issued before June 1, 2011 to finance construction of the facility.

Infrastructure Improvements Plan

Development fees must be calculated pursuant to an IIP. For each necessary public service that is the subject of a development fee, by law, the IIP shall include the following seven elements:

1. A description of the existing necessary public services in the service area and the costs to update, improve, expand, correct or replace those necessary public services to meet existing needs and usage and stricter safety, efficiency, environmental or regulatory standards, which shall be prepared by qualified professionals licensed in this state, as applicable.
2. An analysis of the total capacity, the level of current usage and commitments for usage of capacity of the existing necessary public services, which shall be prepared by qualified professionals licensed in this state, as applicable.
3. A description of all or the parts of the necessary public services or facility expansions and their costs necessitated by and attributable to development in the service area based on the approved Land Use Assumptions, including a forecast of the costs of infrastructure, improvements, real property, financing, engineering and architectural services, which shall be prepared by qualified professionals licensed in this state, as applicable.
4. A table establishing the specific level or quantity of use, consumption, generation or discharge of a service unit for each category of necessary public services or facility expansions and an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial, and industrial.
5. The total number of projected service units necessitated by and attributable to new development in the service area based on the approved Land Use Assumptions and calculated pursuant to generally accepted engineering and planning criteria.
6. The projected demand for necessary public services or facility expansions required by new service units for a period not to exceed ten years.
7. A forecast of revenues generated by new service units other than development fees, which shall include estimated state-shared revenue, highway users revenue, federal revenue, ad valorem property taxes, construction contracting or similar excise taxes and the capital recovery portion of utility fees attributable to development based on the approved Land Use Assumptions and a plan to include these contributions in determining the extent of the burden imposed by the development.

Qualified Professionals

The IIP must be developed by qualified professionals using generally accepted engineering and planning practices. A qualified professional is defined as “a professional engineer, surveyor, financial analyst or planner providing services within the scope of the person’s license, education, or experience.” TischlerBise is a fiscal, economic, and planning consulting firm specializing in the cost of growth services. Our services include development fees, fiscal impact analysis, infrastructure financing analyses, user fee/cost of service studies, capital improvement plans, and fiscal software. TischlerBise has prepared over 800 development fee studies over the past 30 years for local governments across the United States.

Conceptual Development Fee Calculation

In contrast to project-level improvements, development fees fund growth-related infrastructure that will benefit multiple development projects, or the entire service area (usually referred to as system improvements). The first step is to determine an appropriate demand indicator for the particular type of infrastructure. The demand indicator measures the number of service units for each unit of development. For example, an appropriate indicator of the demand for parks is population growth and the increase in population can be estimated from the average number of persons per housing unit. The second step in the development fee formula is to determine infrastructure improvement units per service unit, typically called level-of-service (LOS) standards. In keeping with the park example, a common LOS standard is improved park acres per thousand people. The third step in the development fee formula is the cost of various infrastructure units. To complete the park example, this part of the formula would establish a cost per acre for land acquisition and/ or park improvements.

Evaluation of Credits/Offsets

Regardless of the methodology, a consideration of credits/offsets is integral to the development of a legally defensible development fee. There are two types of credits/offsets that should be addressed in development fee studies and ordinances. The first is a revenue credit/offset due to possible double payment situations, which could occur when other revenues may contribute to the capital costs of infrastructure covered by the development fee. This type of credit/offset is integrated into the fee calculation, thus reducing the fee amount. The second is a site-specific credit or developer reimbursement for dedication of land or construction of system improvements. This type of credit is addressed in the administration and implementation of the development fee program. For ease of administration, TischlerBise normally recommends developer reimbursements for system improvements.

DEVELOPMENT FEE REPORT

METHODOLOGY

Development fees for the necessary public services made necessary by new development must be based on the same level of service ("LOS") provided to existing development in the service area. There are three basic methodologies used to calculate development fees. They examine the past, present, and future status of infrastructure. The objective of evaluating these different methodologies is to determine the best measure of the demand created by new development for additional infrastructure capacity. Each method has advantages and disadvantages in a particular situation and can be used simultaneously for different cost components.

Reduced to its simplest terms, the process of calculating development fees involves two main steps: (1) determining the cost of development-related capital improvements and (2) allocating those costs equitably to various types of development. In practice, though, the calculation of development fees can become quite complicated because of the many variables involved in defining the relationship between development and the need for facilities within the designated service area. The following paragraphs discuss basic methods for calculating development fees and how those methods can be applied.

- **Cost Recovery** (past improvements) - The rationale for recoupment, often called cost recovery, is that future development is paying for its share of the useful life and remaining capacity of facilities already built, or land already purchased, from which future development will benefit. This method is often used for utility systems that must provide adequate capacity before future development can take place.
- **Incremental Expansion** (concurrent improvements) - The incremental expansion method documents current LOS standards for each type of public facility, using both quantitative and qualitative measures. This approach assumes there are no deficiencies or surplus capacity in existing infrastructure. Future development is paying only its proportionate share for growth-related infrastructure. Revenue will be used to expand or provide additional facilities, as needed, to accommodate future development. An incremental expansion cost method is best suited for public facilities that will be expanded in regular increments to keep pace with development.
- **Plan-Based** (future improvements) - The plan-based method allocates costs for a specified set of improvements to a specified amount of development. Improvements are typically identified in a long-range facility plan and development potential is identified by a land use plan. There are two basic options for determining the cost per demand unit: (1) total cost of a public facility can be divided by total demand units (average cost), or (2) the growth-share of the public facility cost can be divided by the net increase in demand units over the planning timeframe (marginal cost).

DEVELOPMENT FEE COMPONENTS

Figure 1 summarizes service areas, methodologies, and infrastructure cost components for each necessary public service. Appendix E includes a map of the service area.

Figure 1: Proposed Development Fee Service Areas, Methodologies, and Cost Components

Necessary Public Services	Service Area	Cost Recovery	Incremental Expansion	Plan-Based	Cost Allocation
Fire	Flagstaff	N/A	Facilities, Apparatus, Communications Equipment	Development Fee Report	Peak Population, Jobs
Police	Flagstaff	N/A	Facilities, Vehicles, Communications Equipment	Development Fee Report	Peak Population, Vehicle Trips

PROPOSED DEVELOPMENT FEES

Development fees for residential development will be assessed per dwelling unit, based on the type of unit and number of bedrooms. Nonresidential development fees will be assessed per square foot of floor area, based on the type of development. As directed by staff, the proposed development fee schedule varies residential fees based on the number of bedrooms. For nonresidential development, the proposed development fee schedule includes three additional development types: hotel, nursing home, and assisted living.

Fees shown below represent the maximum allowable fees. Flagstaff may adopt fees that are less than the amounts shown; however, a reduction in development fee revenue will necessitate an increase in other revenues, a decrease in planned capital improvements and/or a decrease in Flagstaff's LOS standards. All costs in the Development Fee Report are in current dollars with no assumed inflation rate over time. If cost estimates change significantly over time, development fees should be recalibrated.

Figure 2: Proposed Development Fees

Residential Development	Fees per Unit		
Development Type	Fire	Police	Total
Single-Family Units			
0-1 Bedrooms	$778	$385	$1,163
2 Bedrooms	$892	$442	$1,334
3 Bedrooms	$1,071	$531	$1,602
4+ Bedrooms	$1,357	$672	$2,029
Multi-Family Units			
0-1 Bedrooms	$643	$319	$962
2 Bedrooms	$896	$444	$1,340
3+ Bedrooms	$1,352	$670	$2,022

Nonresidential Development	Fees per Square Foot		
Development Type	Fire	Police	Total
Industrial / Flex	$0.40	$0.10	$0.50
Commercial / Retail	$0.81	$0.78	$1.59
Office / Institutional	$1.03	$0.30	$1.33
Hotel (per room)	$202	$263	$465
Nursing Home (per bed)	$364	$96	$460
Assisted Living (per bed)	$212	$82	$294

Current Development Fees

Flagstaff currently charges development fees to residential development based on the type of unit: single family or multi-family. For nonresidential development, Flagstaff currently charges development fees based on three development types: industrial / flex, commercial / retail, and office / institutional. Shown below, Figure 3 includes current development fees.

Figure 3: Current Development Fees

Residential Development	Fees per Unit		
Development Type	Fire	Police	Total
Single Family	$366	$182	$548
Multi-Family	$342	$170	$512

Nonresidential Development	Fees per Square Foot		
Development Type	Fire	Police	Total
Industrial Flex	$0.08	$0.03	$0.11
Commercial	$0.59	$0.29	$0.88
Office	$0.23	$0.11	$0.34

Difference Between Proposed and Current Development Fees

The differences between the proposed and current development fees are displayed below in Figure 4.

Figure 4: Difference Between Proposed and Current Development Fees

Residential Development	Fees per Unit		
Development Type	Fire	Police	Total
Single-Family Units			
0-1 Bedrooms	$412	$203	$615
2 Bedrooms	$526	$260	$786
3 Bedrooms	$705	$349	$1,054
4+ Bedrooms	$991	$490	$1,481
Multi-Family Units			
0-1 Bedrooms	$301	$149	$450
2 Bedrooms	$554	$274	$828
3+ Bedrooms	$1,010	$500	$1,510

Nonresidential Development	Fees per Square Foot		
Development Type	Fire	Police	Total
Industrial / Flex	$0.32	$0.07	$0.39
Commercial / Retail	$0.22	$0.49	$0.71
Office / Institutional	$0.80	$0.19	$0.99
Hotel (per room)	N/A	N/A	N/A
Nursing Home (per bed)	N/A	N/A	N/A
Assisted Living (per bed)	N/A	N/A	N/A

FIRE FACILITIES IIP

ARS § 9-463.05 (T)(7)(f) defines the facilities and assets that can be included in the Fire Facilities IIP:

> *"Fire and police facilities, including all appurtenances, equipment and vehicles. Fire and police facilities do not include a facility or portion of a facility that is used to replace services that were once provided elsewhere in the municipality, vehicles and equipment used to provide administrative services, helicopters or airplanes or a facility that is used for training police and firefighters from more than one station or substation."*

The Fire Facilities IIP includes components for facilities, apparatus, communications equipment, and the cost of preparing the Fire Facilities IIP and related Development Fee Report. The incremental expansion methodology is used for facilities, apparatus, and communications equipment. A plan-based methodology is used for the Development Fee Report.

Service Area

Flagstaff's Fire Department strives to provide a uniform response time citywide, and its fire stations operate as an integrated network. The service area for the Fire Facilities IIP is citywide.

Proportionate Share

ARS § 9-463.05 (B)(3) states that the development fee shall not exceed a proportionate share of the cost of necessary public services needed to accommodate new development. The Fire Facilities IIP and development fees are assessed on both residential and nonresidential development based on functional population shown in Figure F1. Based on 2015 functional population data, residential development accounts for approximately 67 percent of functional population and nonresidential development is responsible for the remaining 33 percent.

Figure F1: Proportionate Share

Demand Units in 2015					
Residential				Demand Hours/Day	Person Hours
	Population	59,640			
	Residents Not Working		29,181	20	583,628
	Employed Residents		30,459		
	Employed in Flagstaff		19,842	14	277,788
	Employed outside Flagstaff		10,617	14	148,638
				Residential Subtotal	1,010,054
				Residential Share	67%
Nonresidential					
	Non-working Residents		29,181	4	116,726
	Jobs Located in Flagstaff		37,109		
	Residents Employed in Flagstaff		19,842	10	198,420
	Non-Resident Workers (inflow commuters)		17,267	10	172,670
				Nonresidential Subtotal	487,816
				Nonresidential Share	33%
				Total	1,497,870

Source: U.S. Census Bureau, OnTheMap 6.1.1 Application and LEHD Origin-Destination Employment Statistics.

Ratio of Service Unit to Development Unit

ARS § 9-463.05(E)(4) requires:

> *"A table establishing the specific level or quantity of use, consumption, generation or discharge of a service unit for each category of necessary public services or facility expansions and an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial and industrial."*

Figure F2 displays the demand indicators for residential and nonresidential land uses. For residential development, the table displays persons per household based on unit type and number of bedrooms. For nonresidential development, the table displays the number of jobs per thousand square feet of floor area.

Figure F2: Ratio of Service Unit to Development Unit

Development Type	Persons per Household[1]
Single Family	
0-1 Bedrooms	1.91
2 Bedrooms	2.19
3 Bedrooms	2.63
4+ Bedrooms	3.33
Multi-Family	
0-1 Bedrooms	1.58
2 Bedrooms	2.20
3+ Bedrooms	3.32

Development Type	Jobs per 1,000 Sq Ft[1]
Industrial / Flex	1.16
Commercial / Retail	2.34
Office / Institutional	2.97
Hotel (per room)	0.58
Nursing Home (per bed)	1.05
Assisted Living (per bed)	0.61

1. See Land Use Assumptions

Analysis of Capacity, Usage, and Costs of Existing Public Services

ARS § 9-463.05(E)(1) requires:

> *"A description of the existing necessary public services in the service area and the costs to upgrade, update, improve, expand, correct or replace those necessary public services to meet existing needs and usage and stricter safety, efficiency, environmental or regulatory standards, which shall be prepared by qualified professionals licensed in this state, as applicable."*

ARS § 9-463.05(E)(2) requires:

> *"An analysis of the total capacity, the level of current usage and commitments for usage of capacity of the existing necessary public services, which shall be prepared by qualified professionals licensed in this state, as applicable."*

Facilities – Incremental Expansion

The City of Flagstaff plans to expand its current inventory of fire facilities to serve future development. Shown below in Figure F3, Flagstaff's existing fire facilities include 55,500 square feet. Functional population provides the proportionate share of demand for fire facilities from residential and nonresidential development. Flagstaff's existing level of service for residential development is 0.4909 square feet per person (55,500 square feet X 67 percent residential share / 75,756 persons). The nonresidential level of service is 0.4146 square feet per job (55,500 square feet X 33 percent nonresidential share / 44,172 jobs).

Based on estimates provided by Flagstaff's Fire Department, construction of a 10,000-square-foot fire station will cost $4.635 million and land acquisition will cost $500,000 for approximately two acres – this results in a facility cost of $514 per square foot. The cost is $252.05 per person (0.4909 square feet per person X $514 per square foot) and $212.91 per job (0.4146 square feet per job X $514 per square foot).

Figure F3: Existing Facilities Level of Service

Description	Square Feet
Station 1	8,000
Station 2	10,000
Station 3	10,000
Station 4	6,500
Station 5	8,000
Station 6	8,000
Wildfire Crew Station	2,000
Administrative Offices	3,000
Total	55,500

Cost Allocation Factors	
Planned Station Cost	$5,135,000
Planned Station Square Feet	10,000
Cost per Square Foot	$514

Level-of-Service (LOS) Standards	
Existing Square Feet	55,500
Residential	
Residential Share	67%
2019 Peak Population	75,756
Square Feet per Person	0.4909
Cost per Person	$252.05
Nonresidential	
Nonresidential Share	33%
2019 Jobs	44,172
Square Feet per Job	0.4146
Cost per Job	$212.91

Source: Flagstaff Fire Department

Apparatus – Incremental Expansion

Development fees will be used to expand Flagstaff's fleet of fire apparatus. The current inventory includes 42 units with a total replacement cost of $15,736,000 – the average cost per unit is $374,667. Flagstaff's existing LOS for residential development is 0.0004 units per person (42 units X 67 percent residential share / 75,756 persons). The nonresidential level of service is 0.0003 units per job (42 units X 33 percent nonresidential share / 44,172 jobs). The cost is $139.17 per person (0.0004 units per person X $374,667 per unit) and $117.56 per job (0.0003 units per job X $374,667 per unit).

Figure F4: Existing Apparatus Level of Service

Description	Units	Unit Cost[1]	Replacement Cost
3/4-Ton 4x4 Truck (WFM)	3	$90,000	$270,000
3/4-Ton 4x4 Truck (RTC)	2	$80,000	$160,000
Aerial Truck (Quint Ladder)	2	$1,345,000	$2,690,000
4x4 SUV-Tahoe (BC/DC)	3	$62,500	$187,500
Rescue Vehicle	2	$300,000	$600,000
Engine Type 6	4	$210,000	$840,000
1/2-Ton 2WD Truck	1	$30,000	$30,000
Engine Type 1	8	$780,000	$6,240,000
4x4 SUV CRR	7	$47,500	$332,500
1-Ton 4x4 Rescue Truck	1	$90,000	$90,000
Engine Type 3	3	$430,000	$1,290,000
Water Tender Type 2	2	$415,000	$830,000
HAZMAT Truck	1	$675,000	$675,000
Heavy Rescue	1	$925,000	$925,000
UTV	2	$18,000	$36,000
SCBA Packs/Bottles[2]			$540,000
Total	42	$374,667	$15,736,000

1. Includes the cost of equipment
2. Includes 90 SCBA packs/bottles with cost allocated to all apparatus

Cost Allocation Factors	
Average Cost per Unit	$374,667

Level-of-Service (LOS) Standards	
Existing Units	42
Residential	
Residential Share	67%
2019 Peak Population	75,756
Units per Person	0.0004
Cost per Person	$139.17
Nonresidential	
Nonresidential Share	33%
2019 Jobs	44,172
Units per Job	0.0003
Cost per Job	$117.56

Source: Flagstaff Fire Department

Communications Equipment – Incremental Expansion

Flagstaff will use development fees to expand its inventory of communications equipment. The current inventory includes 235 units with a total replacement cost of $1,587,500. The average cost for communications equipment is $6,755 per unit.

As previously discussed, functional population is used to allocate the proportionate share of demand to residential and nonresidential development. Flagstaff's existing LOS for residential development is 0.0021 units per person (235 units X 67 percent residential share / 75,756 persons). The nonresidential level of service is 0.0018 units per job (235 units X 33 percent nonresidential share / 44,172 jobs). The cost is $14.04 per person (0.0021 units per person X $6,755 per unit) and $11.86 per job (0.0018 units per job X $6,755 per unit).

Figure F5: Existing Communications Equipment Level of Service

Description	Units	Unit Cost	Replacement Cost
Portable Radios 800mhz	100	$8,000	$800,000
Wildland VHF Radios	60	$2,500	$150,000
Mobile Radios 800mhz/VHF	75	$8,500	$637,500
Total	235	$6,755	$1,587,500

Cost Allocation Factors	
Average Cost per Unit	$6,755

Level-of-Service (LOS) Standards	
Existing Units	235
Residential	
Residential Share	67%
2019 Peak Population	75,756
Units per Person	0.0021
Cost per Person	$14.04
Nonresidential	
Nonresidential Share	33%
2019 Jobs	44,172
Units per Job	0.0018
Cost per Job	$11.86

Source: Flagstaff Fire Department

IIP and Development Fee Report – Plan-Based

The cost to prepare the Fire Facilities IIP and development fees totals $22,500. Flagstaff plans to update its report every five years. Based on this cost, proportionate share, and five-year projections of new residential and nonresidential development from the *Land Use Assumptions* document, the cost is $2.25 per person and $4.54 per job.

Figure F6: IIP and Development Fee Report

Necessary Public Service	Cost	Proportionate Share		Demand Unit	5-Year Increase	Cost per Demand Unit
Fire	$22,500	Residential	67%	Peak Population	6,706	$2.25
		Nonresidential	33%	Jobs	1,635	$4.54
Police	$22,250	Residential	66%	Peak Population	6,706	$2.19
		Nonresidential	34%	Vehicle Trips	5,854	$1.29
Total	$44,750					

Fire Facilities Infrastructure Improvements Plan

The Flagstaff Fire Department identified necessary public services that are eligible for Fire Facilities development fees. These improvements, shown in Figure F7, total $13,295,000 and a portion of this total can be funded with development fees.

Figure F7: Fire Facilities Infrastructure Improvements Plan

Description	Units	Total Cost
Fire Station 7 - Building & Equipment	10,000 sq ft	$4,635,000
Fire Station 7 - Land	2 acres	$500,000
Fire Station 8 - Building & Equipment	10,000 sq ft	$4,635,000
Fire Station 8 - Land	2 acres	$500,000
Type 1 Engine[1]	1	$780,000
Quint[1]	1	$1,345,000
Rescue[1]	1	$300,000
Type 3 Engine[1]	1	$430,000
SCBAs (Quint, Engine, Rescue)	10	$60,000
Type 1 Engine Radios	5	$35,000
Quint Radios	5	$35,000
Rescue Radios	5	$40,000
Total		$13,295,000

Source: Flagstaff Fire Department

1. Includes equipment

PROJECTED DEMAND FOR SERVICES AND COSTS

ARS § 9-463.05(E)(5) requires:

> *"The total number of projected service units necessitated by and attributable to new development in the service area based on the approved land use assumptions and calculated pursuant to generally accepted engineering and planning criteria."*

ARS § 9-463.05(E)(6) requires:

> *"The projected demand for necessary public services or facility expansions required by new service units for a period not to exceed ten years."*

Facilities

Shown in Figure F8, Flagstaff's peak population is projected to increase by 13,412 persons by 2029, and employment is projected to increase by 3,270 jobs during the same period. Using the 2019 LOS, future residential development will demand 6,584 additional square feet of fire facilities (13,412 additional persons X 0.4909 square feet per person), and future nonresidential development will demand 1,356 additional square feet of fire facilities (3,270 additional jobs X 0.4146 square feet per job). Based on demand for 7,939 square feet of new fire facilities and an average cost of $514 per square foot, the growth-related expenditure on facilities is $4,076,760.

Figure F8: Projected Demand for Facilities

Type of Infrastructure	Level of Service	Demand Unit	Cost per Sq. Ft.
Facilities	0.4909 Square Feet	per Person	$514
	0.4146 Square Feet	per Job	

Demand for Facilities					
Year	Peak Population	Jobs	Residential	Nonresidential	Total
2019	75,756	44,172	37,185	18,315	55,500
2020	77,097	44,499	37,843	18,451	56,294
2021	78,438	44,826	38,502	18,586	57,088
2022	79,780	45,153	39,160	18,722	57,882
2023	81,121	45,480	39,818	18,857	58,676
2024	82,462	45,807	40,477	18,993	59,470
2025	83,803	46,134	41,135	19,128	60,263
2026	85,145	46,461	41,793	19,264	61,057
2027	86,486	46,788	42,452	19,400	61,851
2028	87,827	47,115	43,110	19,535	62,645
2029	89,168	47,441	43,769	19,671	63,439
10-Yr Increase	13,412	3,270	6,584	1,356	7,939

Growth-Related Expenditures	$3,380,637	$696,124	$4,076,760

Apparatus

Shown in Figure F9, peak population is projected to increase by 13,412 persons citywide by 2029, and citywide employment is projected to increase by 3,270 jobs during the same period. Using the 2019 LOS, future residential development generates demand for five additional apparatus (0.0004 units per person X 13,412 additional persons), and future nonresidential development generates demand for one additional apparatus (0.0003 units per job X 3,270 additional jobs). The 10-year demand for additional apparatus equals six units at a cost of $2,251,747.

Figure F9: Projected Demand for Apparatus

Type of Infrastructure	Level of Service	Demand Unit	Cost per Unit
Apparatus	0.0004 Units	per Person	$374,667
	0.0003 Units	per Job	

Demand for Apparatus					
Year	Peak Population	Jobs	Residential	Nonresidential	Total
2019	75,756	44,172	28.1	13.9	42.0
2020	77,097	44,499	28.6	14.0	42.6
2021	78,438	44,826	29.1	14.1	43.2
2022	79,780	45,153	29.6	14.2	43.8
2023	81,121	45,480	30.1	14.3	44.4
2024	82,462	45,807	30.6	14.4	45.0
2025	83,803	46,134	31.1	14.5	45.6
2026	85,145	46,461	31.6	14.6	46.2
2027	86,486	46,788	32.1	14.7	46.8
2028	87,827	47,115	32.6	14.8	47.4
2029	89,168	47,441	33.1	14.9	48.0
10-Yr Increase	13,412	3,270	5.0	1.0	6.0

Growth-Related Expenditures	$1,865,840	$385,907	$2,251,747

Communications Equipment

Shown in Figure F10, peak population is projected to increase by 13,412 persons citywide by 2029, and citywide employment is projected to increase by 3,270 jobs during the same period. Using the 2019 LOS, future residential development generates demand for 27.9 additional units (0.0021 units per person X 13,412 additional persons), and future nonresidential development generates demand for 5.7 additional units (0.0018 units per job X 3,270 additional jobs). The 10-year demand for additional communications equipment equals 33.6 units at a cost of $227,114.

Figure F10: Projected Demand for Communications Equipment

Type of Infrastructure	Level of Service	Demand Unit	Cost per Unit
Communications Equipment	0.0021 Units	per Person	$6,755
	0.0018 Units	per Job	

Demand for Communications Equipment					
Year	Peak Population	Jobs	Residential	Nonresidential	Total
2019	75,756	44,172	157.5	77.6	235.0
2020	77,097	44,499	160.2	78.1	238.4
2021	78,438	44,826	163.0	78.7	241.7
2022	79,780	45,153	165.8	79.3	245.1
2023	81,121	45,480	168.6	79.8	248.4
2024	82,462	45,807	171.4	80.4	251.8
2025	83,803	46,134	174.2	81.0	255.2
2026	85,145	46,461	177.0	81.6	258.5
2027	86,486	46,788	179.8	82.1	261.9
2028	87,827	47,115	182.5	82.7	265.3
2029	89,168	47,441	185.3	83.3	268.6
10-Yr Increase	13,412	3,270	27.9	5.7	33.6

Growth-Related Expenditures	$188,338	$38,776	$227,114

FIRE FACILITIES DEVELOPMENT FEES

Infrastructure components and cost factors for Fire Facilities are summarized in the upper portion of Figure F11. The cost per service unit for Fire Facilities is $407.51 per person and $346.87 per job.

Fire Facilities development fees for residential development are assessed according to the number of persons per household, based on unit type and number of bedrooms. For a single-family unit with three bedrooms, the fee of $1,071 is calculated using a cost per service unit of $407.51 per person multiplied by a demand unit of 2.63 persons per household.

Nonresidential development fees are calculated using jobs as the service unit. The fee of $0.81 per square foot of commercial development is derived from a cost per service unit of $346.87 per job, multiplied by a demand unit of 2.34 jobs per 1,000 square feet, divided by 1,000.

Figure F11: Schedule of Fire Facilities Development Fees

Fee Component	Cost per Person	Cost per Job
Facilities	$252.05	$212.91
Apparatus	$139.17	$117.56
Communications Equipment	$14.04	$11.86
Development Fee Report	$2.25	$4.54
Total	$407.51	$346.87

Residential Development	Fees per Unit			
Development Type	Persons per Household[1]	Proposed Fees	Current Fees	Change
Single-Family Units				
0-1 Bedrooms	1.91	$778	$366	$412
2 Bedrooms	2.19	$892	$366	$526
3 Bedrooms	2.63	$1,071	$366	$705
4+ Bedrooms	3.33	$1,357	$366	$991
Multi-Family Units				
0-1 Bedrooms	1.58	$643	$342	$301
2 Bedrooms	2.20	$896	$342	$554
3+ Bedrooms	3.32	$1,352	$342	$1,010

Nonresidential Development	Fees per Square Foot			
Development Type	Jobs per 1,000 Sq Ft[1]	Proposed Fees	Current Fees	Change
Industrial / Flex	1.16	$0.40	$0.08	$0.32
Commercial / Retail	2.34	$0.81	$0.59	$0.22
Office / Institutional	2.97	$1.03	$0.23	$0.80
Hotel (per room)	0.58	$202	N/A	N/A
Nursing Home (per bed)	1.05	$364	N/A	N/A
Assisted Living (per bed)	0.61	$212	N/A	N/A

1. See Land Use Assumptions

Fire Facilities Development Fee Revenue

A revenue credit/offset is not necessary for Fire Facilities development fees, because costs generated by projected development exceed revenues generated by projected development. Appendix A contains the forecast of revenues required by Arizona's Enabling Legislation (ARS § 9-463.05(E)(7)).

Projected fee revenue shown in Figure F12 is based on the development projections in the *Land Use Assumptions* document and the updated Fire Facilities development fees. If development occurs faster than projected, the demand for infrastructure will increase along with development fee revenue. If development occurs slower than projected, the demand for infrastructure will decrease and development fee revenue will decrease at a similar rate. Projected development fee revenue is $6,578,077 over the next 10 years, and the projected growth-related cost of fire infrastructure is $6,578,121.

Figure F12: Projected Fire Facilities Development Fee Revenue

Fee Component	Growth Share	Existing Share	Total
Facilities	$4,076,760	$0	$4,076,760
Apparatus	$2,251,747	$0	$2,251,747
Communications Equipment	$227,114	$0	$227,114
Development Fee Report	$22,500	$0	$22,500
Total	$6,578,121	$0	$6,578,121

Year		Single Family $1,083 per unit	Multi-Family $868 per unit	Ind / Flex $0.40 per Sq Ft	Comm / Retail $0.81 per Sq Ft	Office / Inst $1.03 per Sq Ft
		Hsg Unit	Hsg Unit	KSF	KSF	KSF
Base	2019	14,441	12,565	4,987	7,360	5,344
Year 1	2020	14,705	12,865	4,992	7,434	5,394
Year 2	2021	14,969	13,165	4,997	7,508	5,444
Year 3	2022	15,233	13,465	5,002	7,582	5,494
Year 4	2023	15,497	13,765	5,007	7,655	5,544
Year 5	2024	15,761	14,065	5,012	7,729	5,594
Year 6	2025	16,025	14,365	5,017	7,803	5,644
Year 7	2026	16,289	14,665	5,022	7,877	5,694
Year 8	2027	16,553	14,965	5,027	7,950	5,744
Year 9	2028	16,817	15,265	5,032	8,024	5,794
Year 10	2029	17,081	15,565	5,037	8,098	5,844
10-Year Increase		2,640	3,000	50	737	500
Projected Revenue		$2,853,830	$2,596,829	$20,113	$595,457	$511,847

Projected Fee Revenue	$6,578,077
Total Expenditures	$6,578,121

POLICE FACILITIES IIP

ARS § 9-463.05 (T)(7)(f) defines the facilities and assets that can be included in the Police Facilities IIP:

> *"Fire and police facilities, including all appurtenances, equipment and vehicles. Fire and police facilities do not include a facility or portion of a facility that is used to replace services that were once provided elsewhere in the municipality, vehicles and equipment used to provide administrative services, helicopters or airplanes or a facility that is used for training firefighters or officers from more than one station or substation."*

The Police Facilities IIP includes components for facilities, vehicles, communications equipment, and the cost of preparing the Police Facilities IIP and related Development Fee Report. The incremental expansion methodology, based on the current level of service, is used for facilities, vehicles, and communications equipment. A plan-based methodology is used for the Development Fee Report.

Service Area

Flagstaff's Police Department strives to provide a uniform response time citywide. The service area for the Police Facilities IIP is citywide.

Proportionate Share

ARS § 9-463.05 (B)(3) states that the development fee shall not exceed a proportionate share of the cost of necessary public services needed to accommodate new development. The Police Facilities IIP and development fees are assessed on both residential and nonresidential development based calls for service shown in Figure P1. Based on 2015-2018 calls for service data, residential development accounts for approximately 66 percent of demand for police services and nonresidential development is responsible for the remaining 34 percent.

Figure P1: Proportionate Share

Year	Residential	Nonresidential
2015	63%	37%
2016	72%	28%
2017	65%	35%
2018	64%	36%
Average	66%	34%

Source: Flagstaff Police Department

Ratio of Service Unit to Development Unit

ARS § 9-463.05(E)(4) requires:

> *"A table establishing the specific level or quantity of use, consumption, generation or discharge of a service unit for each category of necessary public services or facility expansions and an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial and industrial."*

Figure P2 displays the demand indicators for residential and nonresidential land uses. For residential development, the table displays the persons per household based on unit type and number of bedrooms. For nonresidential development, the table displays the number of vehicle trips generated per thousand square feet of floor area.

Figure P2: Ratio of Service Unit to Development Unit

Development Type	Persons per Household[1]
Single Family	
0-1 Bedrooms	1.91
2 Bedrooms	2.19
3 Bedrooms	2.63
4+ Bedrooms	3.33
Multi-Family	
0-1 Bedrooms	1.58
2 Bedrooms	2.20
3+ Bedrooms	3.32

Development Type	AWVTE per 1,000 Sq Ft[1]	Trip Adjustment	AWVT per 1,000 Sq Ft[1]
Industrial / Flex	3.37	50%	1.69
Commercial / Retail	37.75	33%	12.46
Office / Institutional	9.74	50%	4.87
Hotel (per room)	8.36	50%	4.18
Nursing Home (per bed)	3.06	50%	1.53
Assisted Living (per bed)	2.60	50%	1.30

1. See Land Use Assumptions

Analysis of Capacity, Usage, and Costs of Existing Public Services

ARS § 9-463.05(E)(1) requires:

> *"A description of the existing necessary public services in the service area and the costs to upgrade, update, improve, expand, correct or replace those necessary public services to meet existing needs and usage and stricter safety, efficiency, environmental or regulatory standards, which shall be prepared by qualified professionals licensed in this state, as applicable."*

ARS § 9-463.05(E)(2) requires:

> *"An analysis of the total capacity, the level of current usage and commitments for usage of capacity of the existing necessary public services, which shall be prepared by qualified professionals licensed in this state, as applicable."*

Facilities – Incremental Expansion

Flagstaff plans to use development fees to expand its current inventory of police facilities. Shown below in Figure P3, Flagstaff's existing police facilities include 43,172 square feet.

Calls for service provide the proportionate share of demand for police facilities from residential and nonresidential development. Flagstaff's existing level of service for residential development is 0.3761 square feet per person (43,172 square feet X 66 percent residential share / 75,756 persons). The nonresidential level of service is 0.1164 square feet per vehicle trip (43,172 square feet X 34 percent / 126,120 vehicle trips). Using estimates for the planned LEAF expansion, the cost is $375 per square foot ($3,000,000 / 8,000 square feet). The cost is $141.05 per person (0.3272 square feet per person X $375 per square foot) and $43.64 per vehicle trip (0.1323 square feet per vehicle trip X $375 per square foot).

Figure P3: Existing Facilities Level of Service

Description	Square Feet
LEAF Facility	31,148
Commerce Warehouse	9,000
Southside Substation	64
Sunnyside Substation	400
Pod Storage	2,560
Total	43,172

Cost Allocation Factors	
Cost per Square Foot	$375

Level-of-Service (LOS) Standards	
Existing Square Feet	43,172
Residential	
Residential Share	66%
2019 Peak Population	75,756
Square Feet per Person	0.3761
Cost per Person	$141.05
Nonresidential	
Nonresidential Share	34%
2019 Vehicle Trips	126,120
Square Feet per Vehicle Trip	0.1164
Cost per Vehicle Trip	$43.64

Source: Flagstaff Police Department

Vehicles – Incremental Expansion

Development fees will be used to expand Flagstaff's inventory of police vehicles. Figure P4 lists the current vehicles used by Flagstaff's Police Department – 91 units with a replacement cost of $4,491,898, or $49,362 per unit. Calls for service are used to allocate the proportionate share of demand to residential and nonresidential development. The level of service for residential development is 0.0008 units per person (91 units X 66 percent residential share / 75,756 persons). The nonresidential level of service is 0.0002 units per vehicle trip (91 units X 34 percent nonresidential share / 126,120 vehicle trips). The cost is $39.13 per person ($49,362 per unit X 0.0008 units per person) and $12.11 per vehicle trip ($49,362 per unit X 0.0002 units per vehicle trip).

Figure P4: Existing Vehicles Level of Service

Description	Units	Unit Cost[1]	Replacement Cost
Patrol Sedans	42	$60,000	$2,520,000
Patrol Motorcycles	6	$35,000	$210,000
Patrol Motorcycle Trainer	3	$11,480	$34,440
Patrol Truck 4X4	1	$28,594	$28,594
Prisoner Transport Van	1	$44,220	$44,220
Patrol Surveillance Van	1	$40,000	$40,000
Bomb Squad Vehicle	1	$176,028	$176,028
Bomb Squad Trailer	1	$85,038	$85,038
SWAT Armored Vehicle	1	$295,000	$295,000
DUI Van	1	$60,377	$60,377
Radar/Sign Board Trailer	3	$25,511	$76,533
Full Service Sedan	23	$29,000	$667,000
Street Crimes Task Force Vehicle	4	$36,779	$147,116
Utility Trailer	1	$3,720	$3,720
Animal Control Truck 4X4	2	$51,916	$103,832
Total	91	$49,362	$4,491,898

1. Includes the cost of equipment

Cost Allocation Factors	
Average Cost per Unit	$49,362

Level-of-Service (LOS) Standards	
Existing Units	91
Residential	
Residential Share	66%
2019 Peak Population	75,756
Units per Person	0.0008
Cost per Person	$39.13
Nonresidential	
Nonresidential Share	34%
2019 Vehicle Trips	126,120
Units per Vehicle Trip	0.0002
Cost per Vehicle Trip	$12.11

Source: Flagstaff Police Department

Communications Equipment – Incremental Expansion

Flagstaff will use development fees to expand its inventory of communications equipment. The current inventory includes 247 units with a total replacement cost of $2,257,500. The average cost for communications equipment is $9,140 per unit.

Calls for service are used to allocate the proportionate share of demand to residential and nonresidential development. Flagstaff's existing level of service for residential development is 0.0022 units per person (247 units X 66 percent residential share / 75,756 persons). The nonresidential level of service is 0.0007 units per vehicle trip (247 units X 34 percent nonresidential share / 126,120 vehicle trips). The cost is $19.67 per person ($9,140 per unit X 0.0022 units per person) and $6.09 per vehicle trip ($9,140 per unit X 0.0007 units per vehicle trip).

Figure P5: Existing Communications Equipment Level of Service

Description	Units	Unit Cost	Replacement Cost
Portable Radios 800mhz	154	$8,000	$1,232,000
Mobile Radios 800mhz/VHF	83	$8,500	$705,500
Dispatch Consoles	10	$32,000	$320,000
Total	247	$9,140	$2,257,500

Cost Allocation Factors	
Average Cost per Unit	$9,140

Level-of-Service (LOS) Standards	
Existing Units	247
Residential	
Residential Share	66%
2019 Peak Population	75,756
Units per Person	0.0022
Cost per Person	$19.67
Nonresidential	
Nonresidential Share	34%
2019 Vehicle Trips	126,120
Units per Vehicle Trip	0.0007
Cost per Vehicle Trip	$6.09

Source: Flagstaff Police Department

Development Fee Report – Plan-Based

The cost to prepare the Police Facilities IIP and related Development Fee Report totals $22,250. Flagstaff plans to update its report every five years. Based on this cost, proportionate share, and five-year projections of new residential and nonresidential development from the *Land Use Assumptions* document, the cost is $2.19 per person and $1.29 per vehicle trip.

Figure P6: IIP and Development Fee Report

Necessary Public Service	Cost	Proportionate Share		Demand Unit	5-Year Increase	Cost per Demand Unit
Fire	$22,500	Residential	67%	Peak Population	6,706	$2.25
		Nonresidential	33%	Jobs	1,635	$4.54
Police	$22,250	Residential	66%	Peak Population	6,706	$2.19
		Nonresidential	34%	Vehicle Trips	5,854	$1.29
Total	$44,750					

Police Facilities Infrastructure Improvements Plan

The Flagstaff Police Department identified necessary public services that are eligible for Police Facilities development fees. These improvements, shown in Figure P7, total $7,540,000 and a portion of this total can be funded with development fees.

Figure P7: Police Facilities Infrastructure Improvements Plan

Description	Units	Total Cost
Metal Building on Commerce Site		$3,000,000
Dispatch Expansion		$600,000
LEAF Expansion		$3,000,000
Patrol Vehicles	10	$600,000
Patrol Motorcycles	4	$140,000
Portable Radios 800mhz	25	$200,000
Mobile Radios 800mhz/VHF	10	$85,000
Dispatch Consoles	2	$64,000
Total		$7,540,000

Source: Flagstaff Police Department

PROJECTED DEMAND FOR SERVICES AND COSTS

ARS § 9-463.05(E)(5) requires:

> *"The total number of projected service units necessitated by and attributable to new development in the service area based on the approved land use assumptions and calculated pursuant to generally accepted engineering and planning criteria."*

ARS § 9-463.05(E)(6) requires:

> *"The projected demand for necessary public services or facility expansions required by new service units for a period not to exceed ten years."*

Facilities

Over the next 10 years, Flagstaff's peak population is projected to increase by 13,412 persons and nonresidential vehicle trips are projected to increase by 11,707. Using the 2019 LOS standards shown at the top of Figure P8, future residential development generates demand for 5,045 additional square feet of police facilities (0.3761 square feet per person X 13,412 additional persons), and future nonresidential development generates demand for 1,363 additional square feet of police facilities (0.1164 square feet per vehicle trip X 11,707 additional vehicle trips). The 10-year demand for additional police facilities equals 6,407 square feet at a cost of $2,407,719.

Figure P8: Projected Demand for Facilities

Type of Infrastructure	Level of Service	Demand Unit	Cost per Sq. Ft.
Facilities	0.3761 Square Feet	per Person	$375
	0.1164 Square Feet	per Vehicle Trip	

Demand for Facilities					
Year	Peak Population	Vehicle Trips	Residential	Nonresidential	Total
2019	75,756	126,120	28,494	14,678	43,172
2020	77,097	127,290	28,998	14,815	43,813
2021	78,438	128,461	29,502	14,951	44,453
2022	79,780	129,632	30,007	15,087	45,094
2023	81,121	130,803	30,511	15,223	45,735
2024	82,462	131,973	31,016	15,360	46,376
2025	83,803	133,144	31,520	15,496	47,016
2026	85,145	134,315	32,025	15,632	47,657
2027	86,486	135,485	32,529	15,769	48,298
2028	87,827	136,656	33,034	15,905	48,939
2029	89,168	137,827	33,538	16,041	49,579
10-Yr Increase	13,412	11,707	5,045	1,363	6,407

Growth-Related Expenditures	$1,891,767	$510,952	$2,402,719

Vehicles

Shown in Figure P9, peak population is projected to increase by 13,12 persons by 2029, and nonresidential vehicle trips will increase by 11,707 trips during the same period. Using the 2019 LOS standards shown in Figure P9, future residential development generates demand for 10.6 additional units (0.0008 units per person X 13,412 additional persons), and future nonresidential development generates demand for 2.9 additional units (0.0002 units per vehicle trip X 11,707 additional vehicle trips). The 10-year demand for additional police vehicles equals 13.5 units at a cost of $666,652.

Figure P9: Projected Demand for Vehicles

Type of Infrastructure	Level of Service	Demand Unit	Cost per Unit
Vehicles	0.0008 Units	per Person	$49,362
	0.0002 Units	per Vehicle Trip	

Demand for Vehicles					
Year	Peak Population	Vehicle Trips	Residential	Nonresidential	Total
2019	75,756	126,120	60.1	30.9	91.0
2020	77,097	127,290	61.1	31.2	92.4
2021	78,438	128,461	62.2	31.5	93.7
2022	79,780	129,632	63.3	31.8	95.1
2023	81,121	130,803	64.3	32.1	96.4
2024	82,462	131,973	65.4	32.4	97.8
2025	83,803	133,144	66.4	32.7	99.1
2026	85,145	134,315	67.5	33.0	100.5
2027	86,486	135,485	68.6	33.2	101.8
2028	87,827	136,656	69.6	33.5	103.2
2029	89,168	137,827	70.7	33.8	104.5
10-Yr Increase	13,412	11,707	10.6	2.9	13.5

Growth-Related Expenditures	$524,885	$141,767	$666,652

Communications Equipment

Shown in Figure P10, peak population is projected to increase by 13,12 persons by 2029, and nonresidential vehicle trips will increase by 11,707 trips during the same period. Using the 2019 LOS standards shown in Figure P10, future residential development generates demand for 28.9 additional units (0.0022 units per person X 13,412 additional persons), and future nonresidential development generates demand for 7.8 additional units (0.0007 units per vehicle trip X 11,707 additional vehicle trips). The 10-year demand for additional communications equipment equals 36.7 units at a cost of $335,041.

Figure P10: Projected Demand for Communications Equipment

Type of Infrastructure	Level of Service	Demand Unit	Cost per Unit
Communications Equipment	0.0022 Units	per Person	$9,140
	0.0007 Units	per Vehicle Trip	

Demand for Communications Equipment					
Year	Peak Population	Vehicle Trips	Residential	Nonresidential	Total
2019	75,756	126,120	163.0	84.0	247.0
2020	77,097	127,290	165.9	84.8	250.7
2021	78,438	128,461	168.8	85.5	254.3
2022	79,780	129,632	171.7	86.3	258.0
2023	81,121	130,803	174.6	87.1	261.7
2024	82,462	131,973	177.5	87.9	265.3
2025	83,803	133,144	180.3	88.7	269.0
2026	85,145	134,315	183.2	89.4	272.7
2027	86,486	135,485	186.1	90.2	276.3
2028	87,827	136,656	189.0	91.0	280.0
2029	89,168	137,827	191.9	91.8	283.7
10-Yr Increase	13,412	11,707	28.9	7.8	36.7
Growth-Related Expenditures			$263,792	$71,248	$335,041

POLICE FACILITIES DEVELOPMENT FEES

Police Facilities Development Fees

Infrastructure components and cost factors for Police Facilities are summarized in the upper portion of Figure P11. The cost per service unit for Police Facilities is $202.04 per person and $63.13 per vehicle trip.

Police Facilities development fees for residential development are assessed according to the number of persons per household, based on unit type and number of bedrooms. For a single-family unit with three bedrooms, the fee of $531 is calculated using a cost per service unit of $202.04 per person multiplied by a demand unit of 2.63 persons per household.

Nonresidential development fees are calculated using vehicle trips as the service unit. The fee of $0.78 per square foot of commercial development is derived from a cost per service unit of $63.13 per vehicle trip, multiplied by a demand unit of 12.46 vehicle trips per 1,000 square feet, divided by 1,000.

Figure P11: Schedule of Police Facilities Development Fees

Fee Component	Cost per Person	Cost per Veh Trip
Facilities	$141.05	$43.64
Vehicles	$39.13	$12.11
Communications Equipment	$19.67	$6.09
Development Fee Report	$2.19	$1.29
Total	$202.04	$63.13

Residential Development	Fees per Unit			
Development Type	Persons per Household[1]	Proposed Fees	Current Fees	Change
Single-Family Units				
0-1 Bedrooms	1.91	$385	$182	$203
2 Bedrooms	2.19	$442	$182	$260
3 Bedrooms	2.63	$531	$182	$349
4+ Bedrooms	3.33	$672	$182	$490
Multi-Family Units				
0-1 Bedrooms	1.58	$319	$170	$149
2 Bedrooms	2.20	$444	$170	$274
3+ Bedrooms	3.32	$670	$170	$500

Nonresidential Development	Fees per Square Foot			
Development Type	AWVT per 1,000 Sq Ft[1]	Proposed Fees	Current Fees	Change
Industrial / Flex	1.69	$0.10	$0.03	$0.07
Commercial / Retail	12.46	$0.78	$0.29	$0.49
Office / Institutional	4.87	$0.30	$0.11	$0.19
Hotel (per room)	4.18	$263	N/A	N/A
Nursing Home (per bed)	1.53	$96	N/A	N/A
Assisted Living (per bed)	1.30	$82	N/A	N/A

1. See Land Use Assumptions

POLICE FACILITIES DEVELOPMENT FEE REVENUE

A revenue credit/offset is not necessary for Police Facilities development fees, because costs generated by projected development exceed revenues generated by projected development. Appendix A contains the forecast of revenues required by Arizona's Enabling Legislation (ARS § 9-463.05(E)(7)).

Projected fee revenue shown in Figure P12 is based on the development projections in the *Land Use Assumptions* document and the updated Police Facilities development fees. If development occurs faster than projected, the demand for infrastructure will increase along with development fee revenue. If development occurs slower than projected, the demand for infrastructure will decrease and development fee revenue will decrease at a similar rate. Projected development fee revenue is $3,426,662 over the next 10 years, and the projected growth-related cost of police infrastructure is $3,426,662.

Figure P12: Projected Revenue from Police Facilities Development Fees

Fee Component	Growth Share	Existing Share	Total
Facilities	$2,402,719	$0	$2,402,719
Vehicles	$666,652	$0	$666,652
Communications Equipment	$335,041	$0	$335,041
Development Fee Report	$22,250	$0	$22,250
Total	$3,426,662	$0	$3,426,662

Year		Single Family $537 per unit	Multi-Family $430 per unit	Ind / Flex $0.10 per Sq Ft	Comm / Retail $0.78 per Sq Ft	Office / Inst $0.30 per Sq Ft
		Hsg Unit	Hsg Unit	KSF	KSF	KSF
Base	2019	14,441	12,565	4,987	7,360	5,344
Year 1	2020	14,705	12,865	4,992	7,434	5,394
Year 2	2021	14,969	13,165	4,997	7,508	5,444
Year 3	2022	15,233	13,465	5,002	7,582	5,494
Year 4	2023	15,497	13,765	5,007	7,655	5,544
Year 5	2024	15,761	14,065	5,012	7,729	5,594
Year 6	2025	16,025	14,365	5,017	7,803	5,644
Year 7	2026	16,289	14,665	5,022	7,877	5,694
Year 8	2027	16,553	14,965	5,027	7,950	5,744
Year 9	2028	16,817	15,265	5,032	8,024	5,794
Year 10	2029	17,081	15,565	5,037	8,098	5,844
10-Year Increase		2,640	3,000	50	737	500
Projected Revenue		$1,411,103	$1,284,026	$5,307	$574,015	$152,211

Projected Fee Revenue	$3,426,662
Total Expenditures	$3,426,662

APPENDIX A: FORECAST OF REVENUES OTHER THAN FEES

ARS § 9-463.05(E)(7) requires:

> *"A forecast of revenues generated by new service units other than development fees, which shall include estimated state-shared revenue, highway users revenue, federal revenue, ad valorem property taxes, construction contracting or similar excise taxes and the capital recovery portion of utility fees attributable to development based on the approved land use assumptions, and a plan to include these contributions in determining the extent of the burden imposed by the development as required in subsection B, paragraph 12 of this section."*

ARS § 9-463.05(B)(12) states,

> *"The municipality shall forecast the contribution to be made in the future in cash or by taxes, fees, assessments or other sources of revenue derived from the property owner towards the capital costs of the necessary public service covered by the development fee and shall include these contributions in determining the extent of the burden imposed by the development. Beginning August 1, 2014, for purposes of calculating the required offset to development fees pursuant to this subsection, if a municipality imposes a construction contracting or similar excise tax rate in excess of the percentage amount of the transaction privilege tax rate imposed on the majority of other transaction privilege tax classifications, the entire excess portion of the construction contracting or similar excise tax shall be treated as a contribution to the capital costs of necessary public services provided to development for which development fees are assessed, unless the excess portion was already taken into account for such purpose pursuant to this subsection."*

REVENUE PROJECTIONS

Flagstaff does not have a higher than normal construction excise tax rate; therefore, the required offset described above is not applicable. The required forecast of non-development fee revenue from identified sources that can be attributed to future development over the next 10 years is summarized below. These funds are available for capital investments; however, the City of Flagstaff directs these revenues to non-development fee eligible capital needs including maintenance, repair, and replacement.

Only revenue generated by future development that is dedicated to growth-related capital improvements needs to be considered in determining the extent of the burden imposed by future development. Offsets against development fees are warranted in the following cases: (1) future development will be paying taxes or fees used to retire debt on existing facilities serving existing development; (2) future development will be paying taxes or fees used to fund an existing deficiency, or (3) future development will be paying taxes or fees that are dedicated to be used for growth-related improvements. The analysis provided in this report did not identify the need for offsets against the fees. Projected revenues generated by future development are shown below.

Figure A1: Revenue Projections of Future Development

Revenue Source	2017	2018	2019	2020	2021	2022	2023	2024
Primary Property Taxes	$5,707,178	$6,171,607	$6,707,510	$6,776,500	$7,024,405	$7,287,311	$7,550,217	$7,813,122
Secondary Property Taxes	$5,879,357	$6,271,311	$6,733,265	$7,268,436	$7,358,820	$7,671,830	$7,984,840	$8,297,850
City Sales Tax	$19,226,470	$21,079,067	$21,493,997	$21,881,468	$23,011,773	$23,847,818	$24,683,863	$25,519,908
State Sales Tax	$6,445,302	$6,868,398	$7,100,000	$7,182,893	$7,492,603	$7,732,277	$7,971,950	$8,211,624
State Income Tax	$8,603,145	$8,850,877	$8,716,221	$9,451,184	$9,547,842	$9,818,552	$10,089,263	$10,359,974

Source: For 2017 - 2020, Flagstaff Budgets, FY2017 - FY2020; for 2021 - 2024, TischlerBise trend analysis.

The figure below includes per capita revenues for the previous three years and per capita revenue projections for the next five years – all per capita revenues are shown in 2019 dollars. As shown, the annual revenue generated over the next five years will remain relatively flat. These funds are available for capital investments; however, the City of Flagstaff directs these revenues to non-development fee eligible capital needs including maintenance, repair, and replacement.

Figure A2: Per Capita Revenue Projections, 2019 Dollars

Revenue Source	2017	2018	2019	2020	2021	2022	2023	2024
Primary Property Taxes	$51.19	$52.97	$55.93	$54.94	$55.57	$56.20	$56.84	$57.47
Secondary Property Taxes	$52.73	$53.82	$56.14	$55.59	$56.17	$56.76	$57.34	$57.93
City Sales Tax	$172.44	$180.91	$179.22	$183.41	$186.12	$188.83	$191.54	$194.25
State Sales Tax	$57.81	$58.95	$59.20	$59.68	$60.17	$60.66	$61.15	$61.64
State Income Tax	$77.16	$75.96	$72.68	$74.08	$73.79	$73.49	$73.19	$72.90
Total General Fund Revenues	$411.33	$422.60	$423.18	$427.69	$431.81	$435.94	$440.06	$444.19

Source: For 2017 - 2020, Flagstaff Budgets, FY2017 - FY2020 adjusted to 2019 dollars; for 2021 - 2024, TischlerBise trend analysis in 2019 dollars.
U.S. Department of Commerce, Bureau of Economic Analysis, GDP 2017 - 2019.

APPENDIX B: PROFESSIONAL SERVICES

As stated in Arizona's development fee enabling legislation, "a municipality may assess development fees to offset costs to the municipality associated with providing necessary public services to a development, including the costs of infrastructure, improvements, real property, engineering and architectural services, financing and professional services required for the preparation or revision of a development fee pursuant to this section, including the relevant portion of the infrastructure improvements plan" (see ARS § 9-463.05.A). Because development fees must be updated at least every five years, the cost of professional services is allocated to the projected increase in service units, over five years (see Figure B1). Qualified professionals must develop the IIP, using generally accepted engineering and planning practices. A qualified professional is defined as "a professional engineer, surveyor, financial analyst or planner providing services within the scope of the person's license, education or experience".

Figure B1: Cost of Professional Services

Necessary Public Service	Cost	Proportionate Share		Demand Unit	5-Year Increase	Cost per Demand Unit
Fire	$22,500	Residential	67%	Peak Population	6,706	$2.25
		Nonresidential	33%	Jobs	1,635	$4.54
Police	$22,250	Residential	66%	Peak Population	6,706	$2.19
		Nonresidential	34%	Vehicle Trips	5,854	$1.29
Total	$44,750					

APPENDIX C: LAND USE ASSUMPTIONS

The estimates and projections of residential and nonresidential development in this *Land Use Assumptions* document are for areas within the boundaries of the City of Flagstaff. The map in Appendix E illustrates the area within the Flagstaff Development Fee Service Area.

Arizona's Development Fee Act requires the preparation of Land Use Assumptions, which are defined in Arizona Revised Statutes § 9-463.05(T)(6) as:

> *"projections of changes in land uses, densities, intensities and population for a specified service area over a period of at least ten years and pursuant to the General Plan of the municipality."*

The City of Flagstaff, Arizona, retained TischlerBise to analyze the impacts of development on its capital facilities and to calculate development impact fees based on that analysis. TischlerBise prepared current demographic estimates and future development projections for both residential and nonresidential development used in the Infrastructure Improvements Plan (IIP) and calculation of the development fees. Current demographic data estimates for 2019 are used in calculating levels of service (LOS) provided to existing development in the City of Flagstaff. Arizona's Enabling Legislation requires fees to be updated at least every five years and limits the IIP to a maximum of 10 years.

SUMMARY OF GROWTH INDICATORS

Key land use assumptions for the City of Flagstaff development fee study are population, housing units, and employment projections. TischlerBise uses housing unit estimates provided by Flagstaff's Planning Department for the 2019 base year estimate. For 2019 population estimates, the analysis combines 2018 population estimates published by Arizona's Office of Economic Opportunity and converts 2018 housing unit increases to population using persons per household factors. For nonresidential development, the analysis adjusts 2018 Esri Business Analyst Online employment estimates to the 2019 base year using Coconino County Tax Assessor data. The 2010-2018 average annual nonresidential floor area growth by industry sector, according to Coconino County Tax Assessor data, provides the nonresidential floor area projection for each year beyond the 2019 base year. The nonresidential floor area projections are converted into jobs based on floor area ratios published by the Institute of Transportation Engineers. Three nonresidential development prototypes are discussed further below (see Figure C6 and related text). The projections contained in this document provide the foundation for the Development Fee Report. These metrics are the service units and demand indicators used in the Development Fee Report.

Development projections are summarized in Figure C13. These projections will be used to estimate development fee revenue and to indicate the anticipated need for growth-related infrastructure. However, development fee methodologies are designed to reduce sensitivity to development projections in the determination of the proportionate share fee amounts. If actual development is slower than projected, fee revenue will decline, but so will the need for growth-related infrastructure. In contrast, if development is faster than anticipated, Flagstaff will receive an increase in fee revenue, but will also need to accelerate infrastructure improvements to keep pace with the actual rate of development.

During the next 10 years, citywide development projections indicate an average increase of approximately 560 housing units per year and approximately 130,000 square feet of nonresidential floor area per year.

RESIDENTIAL DEVELOPMENT

Current estimates and future projections of residential development are detailed in this section including population and housing units by type.

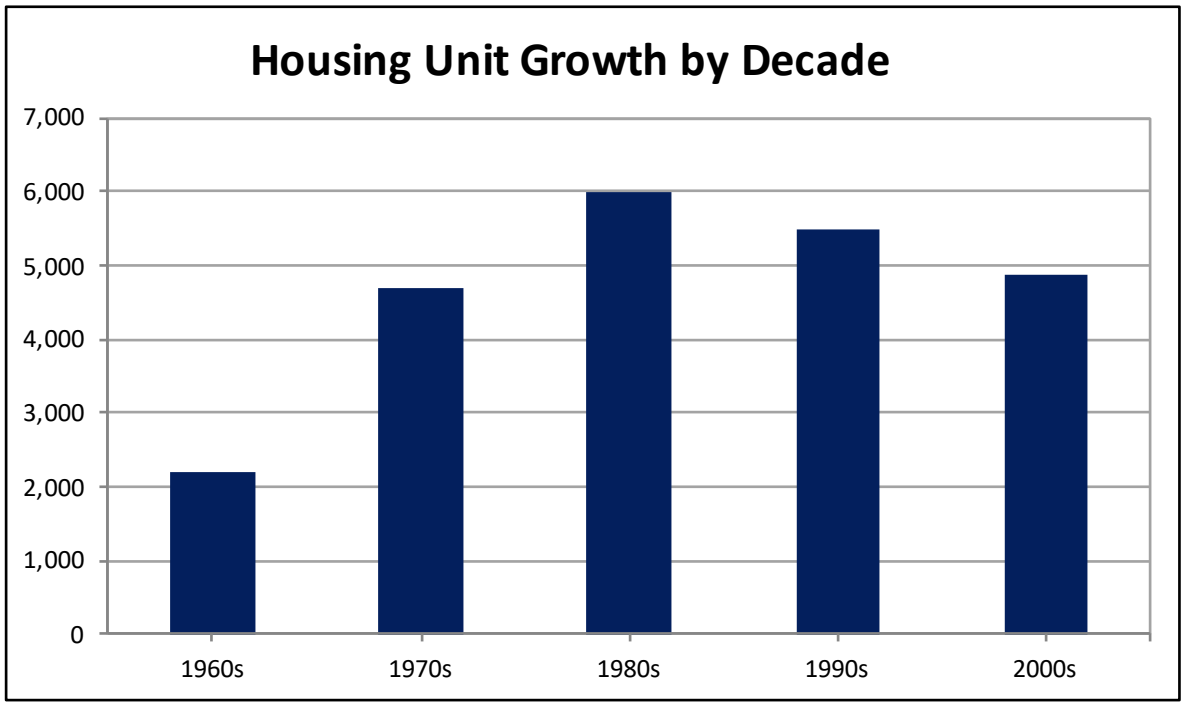
Recent Residential Construction

Development fees require an analysis of current levels of service. For residential development, current levels of service are determined using estimates of population and housing units. Shown below, Figure C1 indicates the estimated number of housing units added by decade according to data obtained from the U.S. Census Bureau. Flagstaff experienced strong growth in the 1980s and 1990s. From 2000 to 2010, housing inventory increased by an average of 486 units per year.

Figure C1: Housing Units by Decade

Census 2010 Housing Units	26,254
Census 2000 Housing Units	21,396
New Housing Units 2000 to 2010	4,858

Flagstaff's housing stock grew by an average of 486 housing units per year from 2000 to 2010.



Source: U.S. Census Bureau, Census 2010 Summary File 1, Census 2000 Summary File 1, 2013-2017 5-Year American Community Survey (for 1990s and earlier, adjusted to yield total units in 2000).

Household Size

According to the U.S. Census Bureau, a household is a housing unit occupied by year-round residents. Development fees often use per capita standards and persons per housing unit (PPHU) or persons per household (PPH) to derive proportionate share fee amounts. When PPHU is used in the fee calculations, infrastructure standards are derived using year-round population. When PPH is used in the fee calculations, the development fee methodology assumes a higher percentage of housing units will be occupied, thus requiring seasonal or peak population to be used when deriving infrastructure standards. TischlerBise recommends that development fees for residential development in Flagstaff be imposed according to the number of persons per household.

Occupancy calculations require data on population and the types of units by structure. The 2010 census did not obtain detailed information using a "long-form" questionnaire. Instead, the U.S. Census Bureau switched to a continuous monthly mailing of surveys, known as the American Community Survey (ACS), which has limitations due to sample-size constraints. For example, data on detached housing units are now combined with attached single units (commonly known as townhouses). For development fees in Flagstaff, detached stick-built units, attached units (commonly known as townhouses, which share a common sidewall, but are constructed on an individual parcel of land), and mobile homes are included in the "Single-Family Units" category. The second residential category includes duplexes and all other structures with two or more units on an individual parcel of land. This category is referred to as "Multi-Family Units."

Based on American Community Survey 2013-2017 5-Year Estimates, single-family units average 2.66 persons per household and multi-family units average 2.13 persons per household.

Figure C2: Persons per Household

Housing Type	Persons	Households	Persons per Household	Housing Units	Persons per Housing Unit	Housing Mix	Vacancy Rate
Single-Family Units[1]	40,421	15,188	2.66	17,230	2.35	63.7%	11.90%
Multi-Family Units[2]	18,033	8,477	2.13	9,826	1.84	36.3%	13.70%
Total	58,454	23,665	2.47	27,056	2.16	100.0%	12.50%

Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Tables B25024, B25032, B25033.

1. Includes detached, attached (i.e. townhouses), and mobile home units.

2. Includes dwellings in structures with two or more units.

Occupancy by Unit Type and Bedrooms

Development fees must be proportionate to the demand for infrastructure. Because occupancy per housing unit has a strong, positive correlation to the number of bedrooms, TischlerBise recommends residential fee schedules that increase by unit size. Custom tabulations of demographic data by bedroom range can be created from individual survey responses provided by the U.S. Census Bureau in files known as Public Use Microdata Samples (PUMS). PUMS files are only available for areas of at least 100,000 persons with Flagstaff included in Public Use Microdata Area (PUMA) 0400.

Single-Family Occupancy by Bedroom Range

Cells shaded yellow below are single-family unit survey results for PUMA 0400. Unadjusted persons per household factors, derived from PUMS data for the PUMA listed above, are adjusted downward to match the single-family unit control total for Flagstaff (2.66), as shown in Figure C3. Adjusted persons per household factors for single-family units are shaded in gray and range from 1.91 persons per household for units with less than two bedrooms to 3.33 persons per household for units with four or more bedrooms.

Figure C3: Single-Family Unit Occupancy by Bedroom Range

Bedroom Range	Persons[1]	Households[1]	Unadjusted PPH	Adjusted PPH[2]
0-1	4,959	2,460	2.02	1.91
2	17,810	7,716	2.31	2.19
3	51,778	18,672	2.77	2.63
4+	31,227	8,905	3.51	3.33
Total	105,774	37,753	2.80	2.66

1. American Community Survey, Public Use Microdata Sample for AZ PUMA 0400 (2013-2017 5-Year Estimates).
2. Adjusted multipliers are scaled to make the average PUMS values match single-family control totals for Flagstaff (2.66), based on American Community Survey 2013-2017 5-Year Estimates.

Multi-Family Occupancy by Bedroom Range

Cells shaded yellow below are multi-family unit survey results for PUMA 0400. Unadjusted persons per household factors, derived from PUMS data for the PUMA listed above, are adjusted downward to match the multi-family unit control total for Flagstaff (2.13), as shown in Figure C4. Adjusted persons per household factors for multi-family units are shaded in gray and range from 1.58 persons per household for units with less than two bedrooms to 3.32 persons per household for units with three or more bedrooms.

Figure C4: Multi-Family Unit Occupancy by Bedroom Range

Bedroom Range	Persons[1]	Households[1]	Unadjusted PPH	Adjusted PPH[2]
0-1	5,669	3,721	1.52	1.58
2	9,912	4,671	2.12	2.20
3+	4,622	1,443	3.20	3.32
Total	20,203	9,835	2.05	2.13

1. American Community Survey, Public Use Microdata Sample for AZ PUMA 0400 (2013-2017 5-Year Estimates).
2. Adjusted multipliers are scaled to make the average PUMS values match multi-family control totals for Flagstaff (2.13), based on American Community Survey 2013-2017 5-Year Estimates.

Residential Estimates

Flagstaff's Planning Department estimates there were 14,441 single-family housing units and 12,565 multi-family housing units in 2019. To estimate the 2019 population, the analysis first uses the 2018 Arizona Office of Economic Opportunity population estimate of 74,736 persons. Next, TischlerBise applies occupancy factors shown in Figure C2 to 2018 residential building permit data – 377 single-family permits and eight multi-family permits. This results in a 2019 population estimate of 75,756 (74,736 population in 2018 + (377 single-family units X 2.66 persons per household) + (8 multi-family units X 2.13 persons per household) = 75,756 population in 2019).

Residential Projections

Based on single-family residential permits from 2015 through 2018, the analysis projects single-family housing units at 264 units per year. For multi-family housing units, Flagstaff's Planning Department recommends 300 housing units per year – slightly more than the 2015 through 2018 average of 228 per year. To project population, TischlerBise applies occupancy factors shown in Figure C2 to projected housing units. For this study, it is assumed that the household size will remain constant. Based on a 10-year housing unit increase of 2,640 single-family units and 3,000 multi-family units, the associated 10-year population growth equals 13,412 persons ((2,640 single-family units X 2.66 persons per household) + (3,000 multi-family units X 2.13 persons per household)).

Population and housing unit projections are used to illustrate the possible future pace of service demands, revenues, and expenditures. To the extent these factors change, the projected need for infrastructure will also change. If development occurs at a more rapid rate than projected, the demand for infrastructure will increase at a corresponding rate. If development occurs at a slower rate than is projected, the demand for infrastructure will also decrease.

Figure C5: Residential Development Projections

	2019	2020	2021	2022	2023	2024	2029	10-Year
	Base Year	1	2	3	4	5	10	Increase
Population	**75,756**	**77,097**	**78,438**	**79,780**	**81,121**	**82,462**	**89,168**	**13,412**
Housing Units								
Single Family	14,441	14,705	14,969	15,233	15,497	15,761	17,081	**2,640**
Multi-Family	12,565	12,865	13,165	13,465	13,765	14,065	15,565	**3,000**
Total Housing Units	**27,006**	**27,570**	**28,134**	**28,698**	**29,262**	**29,826**	**32,646**	**5,640**

NONRESIDENTIAL DEVELOPMENT

Current estimates and future projections of nonresidential development are detailed in this section including jobs and nonresidential floor area.

Nonresidential Estimates

In addition to data on residential development, the calculation of development fees requires data on employment (number of jobs) and nonresidential square footage in Flagstaff. TischlerBise uses the term "jobs" to refer to employment by place of work. TischlerBise uses Esri Business Analyst Online for 2018 employment estimates and Coconino County Tax Assessor data for 2018 floor area estimates.

Figure C6: 2018 Employment and Floor Area Estimates

Nonresidential Category	2018 Jobs[1]	Percent of Total Jobs	Square Feet per Job	2018 Estimated Floor Area[2]	Jobs per 1,000 Sq. Ft.
Industrial / Flex[3]	5,352	12%	931	4,981,849	1.07
Commercial / Retail[4]	13,949	32%	522	7,286,729	1.91
Office / Institutional[5]	24,544	56%	216	5,293,656	4.64
Total	43,845	100%		17,562,234	

1. Esri Business Analyst Online, Business Summary (2018)
2. Coconino County Tax Assessor
3. Major sectors are Wholesale Trade and Manufacturing
4. Major sectors are Retail Trade and Food Services
5. Major sectors are Health Care and Public Administration

Based on Coconino County Tax Assessor data from 2010 through 2018, industrial development grew by 5,040 square feet per year, commercial/retail development grew by 73,741 square feet per year, office development grew by 12,676 square feet per year, and institutional development grew by 37,343 square feet per year. To estimate floor area in 2019, TischlerBise adds the average annual floor area increase to the 2018 floor area estimates in Figure C6. For 2019, TischlerBise estimates Flagstaff has approximately 17.69 million square feet of nonresidential floor area and 44,172 jobs.

Figure C7: 2019 Employment and Floor Area Estimates

Nonresidential Category	2019 Jobs[1]	Percent of Total Jobs	Square Feet per Job	2019 Estimated Floor Area[2]	Jobs per 1,000 Sq. Ft.
Industrial / Flex[3]	5,358	12%	931	4,986,889	1.07
Commercial / Retail[4]	14,122	32%	521	7,360,470	1.92
Office / Institutional[5]	24,692	56%	216	5,343,675	4.62
Total	44,172	100%		17,691,034	2.50

1. TischlerBise calculation based on 2018 Esri Business Analyst Online estimates
2. TischlerBise calculation based on Coconino County Tax Assessor data
3. Major sectors are Wholesale Trade and Manufacturing
4. Major sectors are Retail Trade and Food Services
5. Major sectors are Health Care and Public Administration

Nonresidential Square Footage Estimates

TischlerBise uses 2017 Institute of Transportation Engineers (ITE) employment multipliers as a proxy for future nonresidential floor area (Figure C8). The prototype for industrial development is industrial park (ITE 130) with an average of 864 square feet per employee. For commercial development, a shopping center (ITE 820) is a reasonable proxy with 427 square feet per employee. The prototype for office / institutional development is general office (ITE 710) with an average of 337 square feet per job.

Figure C8: Institute of Transportation Engineers, Employee and Building Area Ratios

ITE Code	Land Use / Size	Demand Unit	Wkdy Trip Ends Per Dmd Unit[1]	Wkdy Trip Ends Per Employee[1]	Emp Per Dmd Unit	Sq Ft Per Emp
110	Light Industrial	1,000 Sq Ft	4.96	3.05	1.63	615
130	Industrial Park	1,000 Sq Ft	3.37	2.91	1.16	864
140	Manufacturing	1,000 Sq Ft	3.93	2.47	1.59	628
150	Warehousing	1,000 Sq Ft	1.74	5.05	0.34	2,902
254	Assisted Living	bed	2.60	4.24	0.61	na
310	Hotel	room	8.36	14.34	0.58	na
520	Elementary School	1,000 Sq Ft	19.52	21.00	0.93	1,076
530	High School	1,000 Sq Ft	14.07	22.25	0.63	1,581
565	Day Care	student	4.09	21.38	0.19	na
610	Hospital	1,000 Sq Ft	10.72	3.79	2.83	354
620	Nursing Home	bed	3.06	2.91	1.05	na
710	General Office (average size)	1,000 Sq Ft	9.74	3.28	2.97	337
715	Single Tenant Office	1,000 Sq Ft	11.25	3.77	2.98	335
720	Medical-Dental Office	1,000 Sq Ft	34.80	8.70	4.00	250
730	Government Office	1,000 Sq Ft	22.59	7.45	3.03	330
820	Shopping Center (average size)	1,000 Sq Ft	37.75	16.11	2.34	427

1. Trip Generation, Institute of Transportation Engineers, 10th Edition (2017).

Nonresidential Projections

Future nonresidential development is projected based on 2010 through 2018 Coconino County Tax Assessor data. For each year beyond the 2019 base year, industrial development increases by 5,040 square feet per year, commercial/retail development increases by 73,741 square feet per year, office development increases by 12,676 square feet per year, and institutional development increases by 37,343 square feet per year.

To project employment, TischlerBise applies employment multipliers shown in Figure C8 to the projected floor area. For example, the industrial floor area increase of 5,040 square feet per year results in an employment increase of approximately six industrial jobs per year (5,040 square feet / 864 square feet per employee). Over the next 10 years, Flagstaff is projected to gain 3,270 jobs and 1.29 million square feet of nonresidential floor area.

Figure C9: Nonresidential Development Projections

	2019	2020	2021	2022	2023	2024	2029	10-Year
	Base Year	1	2	3	4	5	10	Increase
Employment								
Industrial / Flex	5,358	5,364	5,370	5,375	5,381	5,387	5,416	**58**
Commercial / Retail	14,122	14,294	14,467	14,640	14,812	14,985	15,849	**1,727**
Office / Institutional	24,692	24,841	24,989	25,138	25,286	25,435	26,177	**1,484**
Total Employment	**44,172**	**44,499**	**44,826**	**45,153**	**45,480**	**45,807**	**47,441**	**3,270**
Nonres. Floor Area (x1,000)								
Industrial / Flex	4,987	4,992	4,997	5,002	5,007	5,012	5,037	**50**
Commercial / Retail	7,360	7,434	7,508	7,582	7,655	7,729	8,098	**737**
Office / Institutional	5,344	5,394	5,444	5,494	5,544	5,594	5,844	**500**
Total Nonres. Floor Area	**17,691**	**17,820**	**17,949**	**18,077**	**18,206**	**18,335**	**18,979**	**1,288**

AVERAGE WEEKDAY VEHICLE TRIPS

Average Weekday Vehicle Trips are used as a measure of demand by land use. Vehicle trips are estimated using average weekday vehicle trip ends from the reference book, *Trip Generation, 10th Edition*, published by the ITE in 2017. A vehicle trip end represents a vehicle entering or exiting a development (as if a traffic counter were placed across a driveway).

Trip Rate Adjustments

To calculate road development fees, trip generation rates require an adjustment factor to avoid double counting each trip at both the origin and destination points. Therefore, the basic trip adjustment factor is 50 percent. As discussed further below, the development impact fee methodology includes additional adjustments to make the fees proportionate to the infrastructure demand for particular types of development.

Commuter Trip Adjustment

Residential development has a larger trip adjustment factor of 55 percent to account for commuters leaving Flagstaff for work. According to the 2009 National Household Travel Survey (see Table 30) weekday work trips are typically 31 percent of production trips (i.e., all out-bound trips, which are 50 percent of all trip ends). As shown in Figure C10, the U.S. Census Bureau's OnTheMap web application indicates that 35 percent of resident workers traveled outside of Flagstaff for work in 2015. In combination, these factors (0.31 x 0.50 x 0.35 = 0.05) support the additional five percent allocation of trips to residential development.

Figure C10: Commuter Trip Adjustment

Trip Adjustment Factor for Commuters[1]	
Employed Residents	30,459
Residents Living and Working in Flagstaff	19,842
Residents Commuting Outside Flagstaff for Work	10,617
Percent Commuting out of Flagstaff	35%
Additional Production Trips[2]	5%
Residential Trip Adjustment Factor	55%

1. U.S. Census Bureau, OnTheMap Application (version 6.1.1) and LEHD Origin-Destination Employment Statistics, 2015.

2. According to the National Household Travel Survey (2009)*, published in December 2011 (see Table 30), home-based work trips are typically 30.99 percent of "production" trips, in other words, out-bound trips (which are 50 percent of all trip ends). Also, LED OnTheMap data from 2015 indicate that 35 percent of Flagstaff's workers travel outside the city for work. In combination, these factors (0.3099 x 0.50 x 0.35 = 0.05) account for 5 percent of additional production trips. The total adjustment factor for residential includes attraction trips (50 percent of trip ends) plus the journey-to-work commuting adjustment (5 percent of production trips) for a total of 55 percent.
*http://nhts.ornl.gov/publications.shtml ; Summary of Travel Trends - Table "Daily Travel Statistics by Weekday vs. Weekend"

Adjustment for Pass-By Trips

For commercial development, the trip adjustment factor is less than 50 percent because this type of development attracts vehicles as they pass by on arterial and collector roads. For example, when someone stops at a convenience store on the way home from work, the convenience store is not the primary destination. For the average shopping center, ITE data indicate 34 percent of the vehicles that enter are passing by on their way to some other primary destination. The remaining 66 percent of attraction trips have the commercial site as their primary destination. Because attraction trips are half of all trips, the trip adjustment factor is 66 percent multiplied by 50 percent, or approximately 33 percent of the trip ends.

Nonresidential Vehicle Trips Ends

ITE publishes national average weekday trip generation rates for many types of development. For industrial / flex development, industrial park (ITE 130) is the prototype for future development, generating 3.37 trip ends per 1,000 square feet on an average weekday. For future commercial / retail development, an average size shopping center (ITE 820) is a reasonable proxy with 37.75 trip ends per 1,000 square feet. For future office / institutional development, an general office (ITE 710) is a reasonable proxy with 9.74 trip ends per 1,000 square feet.

Figure A11: Institute of Transportation Engineers, Average Weekday Vehicle Trip Ends

ITE Code	Land Use / Size	Demand Unit	Wkdy Trip Ends Per Dmd Unit[1]	Wkdy Trip Ends Per Employee[1]	Emp Per Dmd Unit	Sq Ft Per Emp
110	Light Industrial	1,000 Sq Ft	4.96	3.05	1.63	615
130	Industrial Park	1,000 Sq Ft	3.37	2.91	1.16	864
140	Manufacturing	1,000 Sq Ft	3.93	2.47	1.59	628
150	Warehousing	1,000 Sq Ft	1.74	5.05	0.34	2,902
254	Assisted Living	bed	2.60	4.24	0.61	na
310	Hotel	room	8.36	14.34	0.58	na
520	Elementary School	1,000 Sq Ft	19.52	21.00	0.93	1,076
530	High School	1,000 Sq Ft	14.07	22.25	0.63	1,581
565	Day Care	student	4.09	21.38	0.19	na
610	Hospital	1,000 Sq Ft	10.72	3.79	2.83	354
620	Nursing Home	bed	3.06	2.91	1.05	na
710	General Office (average size)	1,000 Sq Ft	9.74	3.28	2.97	337
715	Single Tenant Office	1,000 Sq Ft	11.25	3.77	2.98	335
720	Medical-Dental Office	1,000 Sq Ft	34.80	8.70	4.00	250
730	Government Office	1,000 Sq Ft	22.59	7.45	3.03	330
820	Shopping Center (average size)	1,000 Sq Ft	37.75	16.11	2.34	427

1. Trip Generation, Institute of Transportation Engineers, 10th Edition (2017).

Residential Vehicle Trip Ends

ITE publishes vehicle trip generation rates for residential development. Based on the 10th Edition of Trip Generation (2017) the national average for single-family units is 9.44 (ITE 210) average weekday vehicle trip ends per dwelling. Multi-family residential development generates 5.44 (ITE 221) average weekday vehicle trip ends per dwelling.

FUNCTIONAL POPULATION

TischlerBise recommends functional population to allocate the cost of certain facilities to residential and nonresidential development. As shown in Figure C12, functional population accounts for people living and working in a jurisdiction. OnTheMap is a web-based mapping and reporting application that shows where workers are employed and where they live. It describes geographic patterns of jobs by their employment locations and residential locations as well as the connections between the two locations. OnTheMap was developed through a unique partnership between the U.S. Census Bureau and its Local Employment Dynamics (LED) partner states.

Residents who do not work are assigned 20 hours per day to residential development and four hours per day to nonresidential development (annualized averages). Residents who work in Flagstaff are assigned 14 hours to residential development and 10 hours to nonresidential development. Residents who work outside Flagstaff are assigned 14 hours to residential development. Inflow commuters are assigned 10 hours to nonresidential development. Based on 2015 functional population data for Flagstaff, residential development accounts for 67 percent of functional population while nonresidential development accounts for the remaining 33 percent.

Figure C12: Functional Population

Demand Units in 2015					
Residential				Demand Hours/Day	Person Hours
Population	59,640				
Residents Not Working		29,181		20	583,628
Employed Residents		30,459			
Employed in Flagstaff			19,842	14	277,788
Employed outside Flagstaff			10,617	14	148,638
				Residential Subtotal	1,010,054
				Residential Share	67%
Nonresidential					
Non-working Residents		29,181		4	116,726
Jobs Located in Flagstaff		37,109			
Residents Employed in Flagstaff			19,842	10	198,420
Non-Resident Workers (inflow commuters)			17,267	10	172,670
				Nonresidential Subtotal	487,816
				Nonresidential Share	33%
				Total	1,497,870

Source: U.S. Census Bureau, OnTheMap 6.1.1 Application and LEHD Origin-Destination Employment Statistics.

DEVELOPMENT PROJECTIONS

Provided below is a summary of citywide development projections used in the development fee study. Base year estimates for 2019 are used in the development fee calculations. Development projections are used to illustrate a possible future pace of demand for service units and cash flows resulting from revenues and expenditures associated with those demands.

Figure C13: Development Projections Summary

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	10-Year
	Base Year	1	2	3	4	5	6	7	8	9	10	Increase
Population	**75,756**	**77,097**	**78,438**	**79,780**	**81,121**	**82,462**	**83,803**	**85,145**	**86,486**	**87,827**	**89,168**	**13,412**
Housing Units												
Single Family	14,441	14,705	14,969	15,233	15,497	15,761	16,025	16,289	16,553	16,817	17,081	**2,640**
Multi-Family	12,565	12,865	13,165	13,465	13,765	14,065	14,365	14,665	14,965	15,265	15,565	**3,000**
Total Housing Units	**27,006**	**27,570**	**28,134**	**28,698**	**29,262**	**29,826**	**30,390**	**30,954**	**31,518**	**32,082**	**32,646**	**5,640**
Employment												
Industrial / Flex	5,358	5,364	5,370	5,375	5,381	5,387	5,393	5,399	5,405	5,410	5,416	**58**
Commercial / Retail	14,122	14,294	14,467	14,640	14,812	14,985	15,158	15,331	15,503	15,676	15,849	**1,727**
Office / Institutional	24,692	24,841	24,989	25,138	25,286	25,435	25,583	25,731	25,880	26,028	26,177	**1,484**
Total Employment	**44,172**	**44,499**	**44,826**	**45,153**	**45,480**	**45,807**	**46,134**	**46,461**	**46,788**	**47,115**	**47,441**	**3,270**
Nonres. Floor Area (x1,000)												
Industrial / Flex	4,987	4,992	4,997	5,002	5,007	5,012	5,017	5,022	5,027	5,032	5,037	**50**
Commercial / Retail	7,360	7,434	7,508	7,582	7,655	7,729	7,803	7,877	7,950	8,024	8,098	**737**
Office / Institutional	5,344	5,394	5,444	5,494	5,544	5,594	5,644	5,694	5,744	5,794	5,844	**500**
Total Nonres. Floor Area	**17,691**	**17,820**	**17,949**	**18,077**	**18,206**	**18,335**	**18,464**	**18,593**	**18,721**	**18,850**	**18,979**	**1,288**

APPENDIX D: LAND USE DEFINITIONS

RESIDENTIAL DEVELOPMENT

As discussed below, residential development categories are based on data from the U.S. Census Bureau, American Community Survey. Flagstaff will collect development fees from all new residential units. One-time development fees are determined by site capacity (i.e. number of residential units).

Single-Family Units:

1. **Single-family detached** is a one-unit structure detached from any other house, that is, with open space on all four sides. Such structures are considered detached even if they have an adjoining shed or garage. A one-family house that contains a business is considered detached as long as the building has open space on all four sides.
2. **Single-family attached (townhouse)** is a one-unit structure that has one or more walls extending from ground to roof separating it from adjoining structures. In row houses (sometimes called townhouses), double houses, or houses attached to nonresidential structures, each house is a separate, attached structure if the dividing or common wall goes from ground to roof.
3. **Mobile home** includes both occupied and vacant mobile homes, to which no permanent rooms have been added. Mobile homes used only for business purposes or for extra sleeping space and mobile homes for sale on a dealer's lot, at the factory, or in storage are not counted in the housing inventory.

Multi-Family Units:

1. **2+ units (duplexes and apartments)** are units in structures containing two or more housing units, further categorized as units in structures with "2, 3 or 4, 5 to 9, 10 to 19, 20 to 49, and 50 or more apartments."
2. **Boat, RV, Van, Etc.** includes any living quarters occupied as a housing unit that does not fit the other categories (e.g., houseboats, railroad cars, campers, and vans). Recreational vehicles, boats, vans, railroad cars, and the like are included only if they are occupied as a current place of residence.

NONRESIDENTIAL DEVELOPMENT

The proposed general nonresidential development categories (defined below) can be used for all new construction within Flagstaff. Nonresidential development categories represent general groups of land uses that share similar average weekday vehicle trip generation rates and employment densities (i.e., jobs per thousand square feet of floor area).

Assisted Living: An assisted living complex is a residential setting that provides either routine general protective oversight or assistance with activities necessary for independent living to mentally or physically limited persons. It commonly has separate living quarters for residents. Its services typically include dining, housekeeping, social and physical activities, medication administration, and transportation.

Commercial / Retail: Establishments primarily selling merchandise, eating/drinking places, and entertainment uses. By way of example, *Commercial* includes shopping centers, supermarkets, pharmacies, restaurants, bars, nightclubs, automobile dealerships, and movie theaters, hotels, and motels.

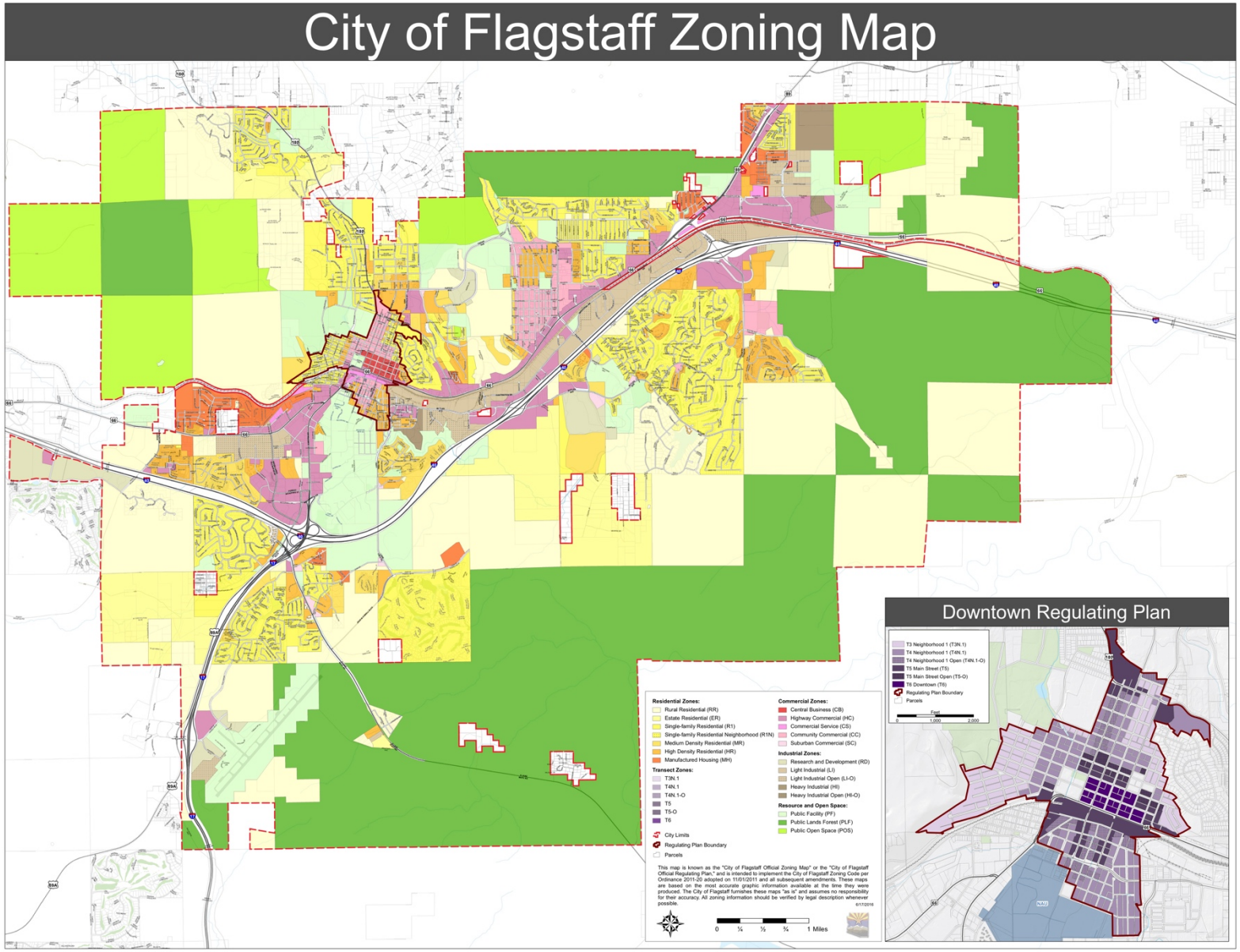
Hotel: A hotel is a place of lodging that provides sleeping accommodations and supporting facilities such as restaurants, cocktail lounges, meeting and banquet rooms or convention facilities, limited recreational facilities (pool, fitness room), and/or other retail and service shops.

Industrial / Flex: Establishments primarily engaged in the production, transportation, or storage of goods. By way of example, *Industrial* includes manufacturing plants, distribution warehouses, trucking companies, utility substations, power generation facilities, and telecommunications buildings.

Nursing Home: A nursing home is any facility whose primary function is to provide care for persons who are unable to care for themselves. Examples of such facilities include rest homes and chronic care and convalescent homes. Skilled nurses and nursing aides are present 24 hours a day at these sites.

Office / Institutional: Establishments providing management, administrative, professional, or business services, personal and health care services, public and quasi-public buildings providing educational, social assistance, or religious services. By way of example, *Office / Institutional* includes banks, business offices, hospitals, medical offices, veterinarian clinics, schools, universities, churches, daycare facilities, and government buildings.

APPENDIX E: DEVELOPMENT FEE SERVICE AREA MAP



Adoption of Public Safety Development Fees

October 20, 2020

TEAM FLAGSTAFF

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Development Fees

Every 5 Years

- State statutes require that all existing development fees be reviewed and updated every 5 years.
- The latest fees were adopted in 2014.
- Prior to updating fees the City must first adopt a new Land Use Assumptions and Infrastructure Improvement Plan (LUA and IIP).
- The LUA and IIP was adopted by Council on April 7th. A public hearing on the proposed development fees was held on September 15, 2020.

Proposed Fire Fees

Fee Component	Cost per Person	Cost per Job
Facilities	$252.05	$212.91
Apparatus	$139.17	$117.56
Communications Equipment	$14.04	$11.86
Development Fee Report	$2.25	$4.54
Total	$407.51	$346.87

Residential Development	Fees per Unit			
Development Type	Persons per Household[1]	Proposed Fees	Current Fees	Change
Single-Family Units				
0-1 Bedrooms	1.91	$778	$366	$412
2 Bedrooms	2.19	$892	$366	$526
3 Bedrooms	2.63	$1,071	$366	$705
4+ Bedrooms	3.33	$1,357	$366	$991
Multi-Family Units				
0-1 Bedrooms	1.58	$643	$342	$301
2 Bedrooms	2.20	$896	$342	$554
3+ Bedrooms	3.32	$1,352	$342	$1,010

Nonresidential Development	Fees per Square Foot			
Development Type	Jobs per 1,000 Sq Ft[1]	Proposed Fees	Current Fees	Change
Industrial / Flex	1.16	$0.40	$0.08	$0.32
Commercial / Retail	2.34	$0.81	$0.59	$0.22
Office / Institutional	2.97	$1.03	$0.23	$0.80
Hotel (per room)	0.58	$202	N/A	N/A
Nursing Home (per bed)	1.05	$364	N/A	N/A
Assisted Living (per bed)	0.61	$212	N/A	N/A

1. See Land Use Assumptions

Proposed Police Fees

Fee Component	Cost per Person	Cost per Veh Trip
Facilities	$141.05	$43.64
Vehicles	$39.13	$12.11
Communications Equipment	$19.67	$6.09
Development Fee Report	$2.19	$1.29
Total	$202.04	$63.13

Residential Development	Fees per Unit			
Development Type	Persons per Household[1]	Proposed Fees	Current Fees	Change
Single-Family Units				
0-1 Bedrooms	1.91	$385	$182	$203
2 Bedrooms	2.19	$442	$182	$260
3 Bedrooms	2.63	$531	$182	$349
4+ Bedrooms	3.33	$672	$182	$490
Multi-Family Units				
0-1 Bedrooms	1.58	$319	$170	$149
2 Bedrooms	2.20	$444	$170	$274
3+ Bedrooms	3.32	$670	$170	$500

Nonresidential Development	Fees per Square Foot			
Development Type	AWVT per 1,000 Sq Ft[1]	Proposed Fees	Current Fees	Change
Industrial / Flex	1.69	$0.10	$0.03	$0.07
Commercial / Retail	12.46	$0.78	$0.29	$0.49
Office / Institutional	4.87	$0.30	$0.11	$0.19
Hotel (per room)	4.18	$263	N/A	N/A
Nursing Home (per bed)	1.53	$96	N/A	N/A
Assisted Living (per bed)	1.30	$82	N/A	N/A

1. See Land Use Assumptions

Proposed Combined Fees

TEAM FLAGSTAFF
WE MAKE THE CITY BETTER

Current Fees

Residential Development	Fees per Unit		
Development Type	Fire	Police	Total
Single Family	$366	$182	$548
Multi-Family	$342	$170	$512

Nonresidential Development	Fees per Square Foot		
Development Type	Fire	Police	Total
Industrial Flex	$0.08	$0.03	$0.11
Commercial	$0.59	$0.29	$0.88
Office	$0.23	$0.11	$0.34

Proposed Fees

Residential Development	Fees per Unit		
Development Type	Fire	Police	Total
Single-Family Units			
0-1 Bedrooms	$778	$385	$1,163
2 Bedrooms	$892	$442	$1,334
3 Bedrooms	$1,071	$531	$1,602
4+ Bedrooms	$1,357	$672	$2,029
Multi-Family Units			
0-1 Bedrooms	$643	$319	$962
2 Bedrooms	$896	$444	$1,340
3+ Bedrooms	$1,352	$670	$2,022

Nonresidential Development	Fees per Square Foot		
Development Type	Fire	Police	Total
Industrial / Flex	$0.40	$0.10	$0.50
Commercial / Retail	$0.81	$0.78	$1.59
Office / Institutional	$1.03	$0.30	$1.33
Hotel (per room)	$202	$263	$465
Nursing Home (per bed)	$364	$96	$460
Assisted Living (per bed)	$212	$82	$294

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
:	
Co-Submitter:	Stacey Brechler-Knaggs
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Adoption of Resolution No. 2020-57: Approval of an Intergovernmental Agreement (IGA) between the City of Flagstaff and Northern Arizona University (NAU) for Applied Natural Resources Research.

STAFF RECOMMENDED ACTION:

1) Read Resolution No. 2020-57 by title only
2) City Clerk reads Resolution No. 2020-57 by title only (if approved above)
3) Adopt Resolution No. 2020-57

Executive Summary:

Approve the Intergovernmental Agreement with Northern Arizona University for Applied Natural Resources Research, this allows an avenue for the City of Flagstaff's Water Services Division to procure hydrology, water resources, and civil engineering services from NAU for City projects and programs. The IGA also outlines data sharing and intellectual property concerns of both NAU researchers and students, and City staff.

Financial Impact:

The NAU staff and student labor rate will be set by individual projects as outlined in the individual scopes of work. This IGA provides only guiding principles. These principles include:

The University shall provide as frequently as monthly, but not less than quarterly, requests for reimbursement. Reimbursements shall be submitted to the City Stormwater Project Manager or appropriate Water Services Manager for approval and processing. The University shall submit a final reimbursement for expenses received and invoiced prior to the end of the termination of this Agreement no more than forty-five (45) days after the end of the Agreement. Requests for reimbursement received later than the forty-five (45) days after the Agreement termination will not be paid. The final reimbursement request as submitted shall be marked FINAL.

Funds for this project are budgeted in individual account numbers in the Water Resources and Stormwater Sections.

Policy Impact:

Consideration of this IGA will provide procurement opportunities for City of Flagstaff Water Services. Specifically, city staff will be able to procure NAU staff and student time to complete water resources and stormwater applied research projects, and to purchase NAU developed technologies and equipment (e.g. remotely operated camera flood alert gauges). The proposed IGA will allow for fiscally responsible projects that utilize the expertise and labor pool of NAU. The resolution also supports the “Cap to Town” Council initiative, creating an avenue for greater NAU-City of Flagstaff collaborations.

The performance of this Agreement is in the best interest of both parties, the undertaking will benefit the public through fiscally responsible projects, real-world learning for NAU students, and enhanced hydrology and civil engineering capacity at the local scale.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

High Performing Governance: Enhance the organization’s fiscal stability and increase efficiency and effectiveness.

Environmental Stewardship: Enhance the stewardship of community water resources including aquifer protection, stormwater, and watershed stewardship.

Sustainable, Innovative Infrastructure: Enhance the capabilities of the city by providing an opportunity to procure expert applied research on stormwater design, flood alert technologies, and water resources.

Has There Been Previous Council Decision on This:

None. This is a new agreement and venture in partnership with NAU.

Options and Alternatives:

1. Approve the IGA.
2. Decline the IGA which impacts the capacity of the City of Flagstaff to procure NAU applied natural resources science.

Background/History:

This IGA was first conceived in the summer of 2019 when two potential projects broke down between NAU and the City of Flagstaff due to both a lack of funding mechanisms and a lack of intellectual property contract language. The two projects were both in Water Services, one project related to an aquifer recharge study (Water Resources Section), and another project for installing and maintaining state-of-the-art camera flood gauges in the Museum Fire footprint (Stormwater Section). The need for an overarching Agreement that provided the terms of payment and data/intellectual property protection was evident. There is a continued need for applied natural resources research, especially as the Water Services Division strives to meet Council goals, Priority Based Budgeting priorities, and community expectations of a well functioning resilient utility.

Key Considerations:

This Agreement shall be for a period of five (5) years effective from the date of the final signature of the Parties. One (1) year extensions will be approved after the initial five-year term up to a total time limit of ten (10) years. This Agreement sets forward the terms of reimbursement and data/intellectual property rights between the Parties and does not provide details for individual projects.

Community Benefits and Considerations:

This IGA will allow the City of Flagstaff to procure expert skills and experience from NAU on applied natural resources science. The community may benefit from lower costs (compared to specialized consultants), state-of-the-art methodology on water resource issues, and a great collaboration between the university and the City of Flagstaff.

Community Involvement:

Inform

Attachments: Res. 2020-57
NAU IGA

RESOLUTION NO. 2020-57

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL, APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF FLAGSTAFF AND THE ARIZONA BOARD OF REGENTS FOR AND ON BEHALF OF NORTHERN ARIZONA UNIVERSITY FOR APPLIED NATURAL RESOURCES RESEARCH

RECITALS:

WHEREAS, the City has authority to enter into this Agreement pursuant to Arizona Revised Statutes ("A.R.S.") § 11-952 and the Flagstaff City Charter, Article I, Section 3; and

WHEREAS, the University has authority to enter into this Agreement pursuant to A.R.S. §§ 11-952 and 15-1625 and Arizona Board of Regents Policy 3-808; and

WHEREAS, the City is exploring opportunities for research projects on general and specific hydrologic, geologic, or related civil engineering topics; and

WHEREAS, University has staff and students that can provide research work and data.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General.

The Flagstaff City Council hereby authorizes the Mayor to execute the Intergovernmental Agreement, which shall become effective upon the date first executed by both parties ("Effective Date").

SECTION 2. Effective Date.

This resolution shall be immediately effective upon adoption.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 20th day of October, 2020.

_____
MAYOR

ATTEST:

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY

Exhibits:
IGA

INTERGOVERNMENTAL AGREEMENT
Applied Natural Resources Research Between Arizona Board of Regents for and on behalf of Northern Arizona University and the City of Flagstaff

THIS INTERGOVERNMENTAL AGREEMENT ("Agreement") is entered into this ____ day of _____, 2020, by and between the CITY OF FLAGSTAFF, a municipal corporation of the State of Arizona ("City"), and the ARIZONA BOARD OF REGENTS, a body corporate with perpetual succession pursuant to the laws of the State of Arizona, for and on behalf of Northern Arizona University, a public institution of higher education ("University").

RECITALS:

WHEREAS, the City has authority to enter into this Agreement pursuant to Arizona Revised Statutes ("A.R.S.") § 11-952 and the Flagstaff City Charter, Article I, Section 3; and

WHEREAS, the University has authority to enter into this Agreement pursuant to A.R.S. §§ 11-952 and 15-1625 and Arizona Board of Regents Policy 3-808; and

WHEREAS, the City is exploring opportunities for research projects on general and specific hydrologic, geologic, or related civil engineering topics; and

WHEREAS, University has staff and students that can provide research work and data; and

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties agree as follows:

The purpose of this Agreement is to cover the activities related to research assistance for hydrologic, geologic, and related engineering studies.

TERM AND TERMINATION:

This Agreement will begin upon full execution and continue for five (5) years ("Initial Term"). At the end of the Initial Term, the parties will determine if an extended period of time is needed to gather information regarding individual programs initiated under this Agreement, and may enter into an amendment to renew the Agreement for one (1) additional five (5) year term ("Renewal Term"). The Initial Term and Renewal Term, if exercised, will cover the duration of any individual program initiated under this Agreement.

Notwithstanding the foregoing, either party may terminate this Agreement for convenience by providing the other party ninety (90) days' prior written notice to those identified herein.

RESPONSIBILITIES:

This Agreement consists of both general responsibilities and specific responsibilities of individual projects. The general responsibilities are as follows:

City shall be responsible for the following activities:

1. Providing timely support and permitting for the University access to City property and right of ways for research and for equipment installation (assuming all permitting is in order);
2. Providing timely review of planned University publications and releases;
3. Providing appropriate review of University study plans, other planning materials, necessary permits, and data QA/QC plans; and
4. Provide guidance, if requested, on individual project goals, objectives, and methodology.

University shall be responsible for the following activities to be described in more detail in the format identified in Appendix A for each project. City is required to complete Appendix A at the initiation of any Research Project and provide it to the University:

1. Provide University student and staff support for hydrologic, geologic, and related engineering studies;
2. Equipment for hydrological, geological, and civil engineering projects to be completed accurately and at scientific standards;
3. Providing access to raw data and derived data if there are no restrictions due to federal or state law or Arizona Board of Regents or University policy.
4. Data summation and report writing.

Examples of some Research Projects are attached as Appendix B.

PERSONNEL:

City personnel will not for any purpose be considered employees or agents of the University. University personnel will not for any purpose be considered employees or agents of the City. The City and University assume full responsibility for the actions of its employees and agents while performing activities and services under this Agreement, and shall be solely responsible for their supervision, daily direction and control, payment of salary (including but not limited to withholding of income taxes and social security), workers' compensation and disability benefits.

INSURANCE AND INDEMNIFICATION:

1. University shall maintain adequate insurance (through the Arizona Department of Administration Risk Management Division, which is a self-insurance program) to cover any liability arising from the acts and omissions of University employees or agents participating in a University-City program. University shall not be responsible for maintaining insurance coverage for liability arising from the acts and omissions of City employees or agents.

2. City shall maintain adequate insurance (which may include a bona fide self-insurance program) to cover any liability arising from the acts and omissions of City employees or agents participating in University-City individual projects. City shall not be responsible for maintaining insurance coverage for liability arising from the acts and omissions of University employees or agents.

3. Each Party shall be solely responsible for any and all actions, suits, damages, liability or other proceedings brought against it as a result of the negligence, misconduct, error or omission of any of its officers, agents or employees. No Party is obligated to indemnify another Party or third party or to hold another Party harmless from costs or expenses incurred as a result of such claims; and each shall continue to enjoy all rights, claims and defenses available to it under law.

NONAPPROPRIATION:

If the City's performance under this Agreement depends upon the appropriation of funds budgeted by Water Services or available grant funds or the University's performance under this Agreement depends upon the appropriation of funds by the Arizona Legislature, and if the City Council or the Arizona Legislature, respectively, fails to appropriate the funds necessary for performance, then either the City or the University may provide written notice to the other party and immediately cancel this Agreement, or individual projects therein, without further obligation of either party. Appropriation is a legislative act and is beyond the control of the parties.

RECORD INSPECTION AND RETENTION:

The parties agree to retain all books, accounts, reports, files and other records relating to the Agreement and to make such records available at all reasonable times for inspection and audit by the University or Auditor General of the State of Arizona, or their agents, during the term of and for a period of five (5) years after completion of this Agreement.

CONFLICT OF INTEREST:

In accordance with A.R.S. § 38-511, this Agreement may be cancelled for conflict of interest within three (3) years after its execution, without penalty or further liability.

NON-DISCRIMINATION:

The parties agree to comply with all applicable local, state and federal laws, rules, regulations and executive orders governing equal employment opportunity, immigration, non-discrimination, including the Americans with Disabilities Act, sexual orientation, or gender identity or expression.

THIRD PARTY BENEFICIARIES:

This Agreement is intended for the exclusive benefit of the parties hereto. Nothing herein is intended to create any rights or responsibilities to third parties.

ASSIGNMENT:

Neither party shall have the right to assign this Agreement without prior written consent of the other party.

FINANCIAL REIMBURSEMENTS:

The University shall provide as frequently as monthly, but not less than quarterly, requests for reimbursement. Reimbursements shall be submitted to the City Stormwater Project Manager or appropriate Water Services Manager for approval and processing. The University shall submit a final reimbursement for expenses received and invoiced prior to the end of the termination of this Agreement no more than forty-five (45) days after the end of the Agreement. Requests for reimbursement received later than the forty-five (45) days after the Agreement termination will not be paid. The final reimbursement request as submitted shall be marked FINAL.

INVENTIONS AND DISCOVERIES:

Background Intellectual Property shall mean Intellectual Property, proprietary information or confidential know-how relevant to the Research Project as defined in Appendix A which is in the possession of a Party prior to the commencement of an individual project or generated after commencement of a project but independent of the project. Background Intellectual Property will remain the property of the Party that developed the Background Intellectual Property. Other than Background Intellectual Property, the right to all inventions, discoveries, methods, know-how (both patentable and not patentable) and other developments (hereinafter "Inventions") generated, developed, conceived and/or reduced to practice under this Agreement shall be

determined in accordance with U.S. Patent Law. All rights to Inventions made solely by employees, students or researchers of the University shall belong solely to the University. All rights to Inventions made solely by employees of the City shall belong solely to the City. All rights to Inventions made jointly by employees, students or researchers of the University and employees of the City ("Joint Inventions") shall belong jointly to the University and the City. Each Party will notify the other, in writing ("Invention Notice"), within thirty (30) days of reduction to practice or knowledge of conception or discovery of an Invention solely made by employees, students and/or researchers of a Party, or of a Joint Invention, and each Invention Notice will describe the Invention with sufficient specificity to allow assessment by the other Party. Parties will treat Invention Notice in confidence and will not further disclose or use the same in ways not previously approved in writing by disclosing Party. The University will have the right to publish or otherwise disclose the results of a project for the sole purpose of achieving the academic mission of the University.

DISPUTES AND ARBITRATON:

In the event of a dispute between the parties to this Agreement, the parties shall attempt to resolve the disagreement on an informal, good faith basis. If that fails, pursuant to A.R.S. §12-1518, the parties acknowledge and agree that they may be required to make use of mandatory arbitration of any legal action that is filed in the Arizona Superior Court concerning a controversy arising out of this Agreement if required by A.R.S. § 12-133.

RELATIONSHIP AND USE OF MARKS:

Except as otherwise agreed in writing, the parties acknowledge that the relationship created by this Agreement is limited to hydrological, geological, or related civil engineering projects. Neither party shall make any representations stating or implying the parties engage in broader transactions or that a party is otherwise associated with the other without first obtaining express written permission from the other party. In addition, neither party shall use any trade name, trademark, service mark, logo, domain name, nor any other distinctive brand feature owned or used by the other party without its express written authorization.

NOTICES:

To City:
City Manager
City of Flagstaff
211 W Aspen Ave
Flagstaff, AZ 86001

To University:
Office of Sponsored Projects
Assistant Vice President
PO Box 4130
Flagstaff, AZ 86011-4130

with copy to:
Water Services Director
City of Flagstaff
211 W. Aspen Ave.
Flagstaff, AZ 86001

GENERAL PROVISIONS:

Both parties agree to meet quarterly during the term of this Agreement to discuss the projects and responsibilities.

COUNTERPARTS:

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same Agreement.

AMENDMENTS AND RELATED AGREEMENTS:

This Agreement constitutes the entire agreement of the parties relating to the subject matter hereof as of the date of execution. All amendments or modifications of this Agreement shall be in writing and approved by the parties.

IN WITNESS WHEREOF, the parties hereto have set forth their hands, through representatives duly so authorized, the day and date first above written.

ARIZONA BOARD OF REGENTS FOR AND ON BEHALF OF NORTHERN ARIZONA UNIVERSITY

_____
Rita Hartung Cheng, President

Approved as to form:

_____
Michelle G. Parker, General Counsel

CITY OF FLAGSTAFF

_____
Coral Evans, Mayor

Attest:

_____
City Clerk

Approved as to form:

_____
City Attorney

APPENDIX A

Research Project Description and Budget

I. Student and Staff Support From the University:

TITLE	**HOURLY RATE**	**ANTICIPATED HOURS**
Professor	$	
Graduate Student	$	
Undergraduate Student	$	

II. Total Budget

III. Goal(s) of Project and Background

IV. Respective Contributions of the Parties to the project and any Background Intellectual Property and/or Confidential Information

V. Material Contributed by _____

VII. Experimental Plan

VII. Period of Performance

Northern Arizona University "University"		**City of Flagstaff "City"**	
By:	_____	By:	_____
Name:	Stacia C. Levy	Name:	
Title:	Assistant Vice President, OSP	Title:	
Date:	_____	Date:	_____

APPENDIX B

Specific responsibilities will depend on individual research projects. Examples are included below for illustration only:

Stream gauge and camera installation and annual maintenance completed using undergraduate and graduate students under supervision of Dr. Ruddell and/or Dr. Doerry. Provision of processed and raw data by the University to the City under prenegotiated licenses of use and release. Provision of derived applied research services to be negotiated, including for example discharge estimation, near-realtime flood alerts, near-realtime communications to city staff, communication with city stakeholders and citizenry, and publication of analysis and research results.

Geophysical characterization and interpretation of the subsurface beneath drainages, water-supply well fields, and/or building sites within the City of Flagstaff by graduate and undergraduate students under the supervision of Dr. Ryan Porter. This could include the use techniques such as seismic refraction and reflection, electromagnetics, gravity surveys, resistivity surveys, and magnetics. Raw and processed data will be shared with the City of Flagstaff for planning and internal management purposes only. Public dissemination of data is only allowed with written permission from Dr. Ryan Porter.

11. B.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Kevin Fincel, Deputy City Attorney
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Adoption of Ordinance No. 2020-26: An ordinance amending Title 11, *General Plans and Subdivisions*, Division 11-10.30, *Specific Plans*, to provide clarification regarding the process for adopting and amending specific plans.

STAFF RECOMMENDED ACTION:

At the October 20, 2020 Council Meeting:

1) Read Ordinance No. 2020-26 by title only for the first time
2) City Clerk reads Ordinance No. 2020-26 by title only (if approved above)

At the November 3, 2020 Council Meeting:

3) Read Ordinance No. 2020-26 by title only for the final time
4) City Clerk reads Ordinance No. 2020-26 by title only (if approved above)
5) Adopt Ordinance No. 2020-26

Executive Summary:

Title 11 of the City Code provides procedures and standards for the adoption, amendment and readoption of the City's General Plan and specific plans in accordance with A.R.S. § 9-461.01 et. seq. The proposed amendments provide additional detail and clarification regarding the process for adopting and amending specific plans.

Financial Impact:

None.

Policy Impact:

None.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices (SP)3.2/ 3.4/ (RP)PF.1-3/ LU.7/ E&C.3/ T.2/ T.5-8/ WR.2/ WR.5-6/ NH.4

Regional Plan

Policy LU.4.1. Develop neighborhood plans, specific plans, area plans, and master plans for all neighborhoods, activity centers, corridors, and gateways as necessary.

Has There Been Previous Council Decision on This:

No.

Attachments: Ord. 2020-26

ORDINANCE NO. 2020-26

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF AMENDING CITY CODE TITLE 11, GENERAL PLANS AND SUBDIVISIONS, DIVISION 11-10.30, SPECIFIC PLANS, TO PROVIDE ADDITIONAL DETAIL AND CLARIFICATION REGARDING THE PROCESS FOR ADOPTING AND AMENDING SPECIFIC PLANS; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AUTHORITY FOR CLERICAL CORRECTIONS, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, title 11 of the City Code provides procedures and standards for the adoption, amendment and readoption of the City's General Plan and specific plans in accordance with A.R.S. § 9-461.01 et. seq.; and

WHEREAS, the proposed amendments provide additional detail and clarification regarding the process for adopting and amending specific plans.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. City Code Title 11, *General Plans and Subdivisions*, Division 11-10.30, *Specific Plans*, is hereby amended as follows (deleted text is struck and added text is in bolded, red font):

11-10.30.030 Specific Plan Adoption/Amendment

A. Initiation. The preparation of a Specific Plan may be initiated by the Director, by request from the Council, or by a property owner or group of property owners and their agent.

B. Preparation of a Specific Plan.

1. If the preparation of a Specific Plan is requested by the Council, the Director shall cause a Specific Plan to be prepared in accordance with a schedule to be determined by the City Manager.

2. If a request for the preparation of a Specific Plan is initiated by a property owner or group of owners, the plan shall be prepared by the property owner(s) for review and revision by the Director; provided, that:

a. The proposed Specific Plan conforms to the General Plan and the elements of this section and it includes the requirements for a Specific Plan provided in subsection (D) of this section, Format and Contents of Specific Plan;
b. The Specific Plan will be prepared by an interdisciplinary team of qualified professionals including but not limited to urban planners, architects, landscape architects, market analysts, and engineers; and

c. The minimum area of the Specific Plan is such that a range of uses can be accommodated and well integrated.

C. Configuration of Specific Plan. A proposed Specific Plan shall be configured to include all land within the Specific Plan boundary.

D. Format and Contents of Specific Plan. An application for a Specific Plan shall be on a form prescribed by the Director and available in the Community Development Division, and shall include, at a minimum, all information required for a major amendment to the General Plan plus the following additional information, if applicable as determined by the Director:

1. A precise map showing the land to be included within the proposed Specific Plan;

2. For all Specific Plan applications initiated by a property owner(s) or their agent, the written consent of all owners of the real property within the Specific Plan and a list, by name and title, of all ownership interests in the real property;

3. A letter of authorization for an agent, if applicable;

4. A statement of intent of the Specific Plan. The statement of intent is a written statement that outlines the need or desire for a Specific Plan;

5. A site and area analysis report that shall include the following elements:

   a. Surface hydrology and water resources;
   b. Topography and slope analysis;
   c. Summary of General Plan requirements;
   d. Environmental overview and assessment, including soils and geology, type of vegetation, etc.;
   e. Existing structures, roads, and other development;
   f. Existing infrastructure and public services;
   g. Existing zoning/land use information;
   h. Traffic analysis;
   i. Cultural resource investigation;
   j. Synthesis and summary of analysis; and
   k. An analysis of the current context of the area in which the Specific Plan will be applied, including the identification of existing land uses, environmental conditions, public facilities/infrastructure and planning area issues;

6. Concept or Illustrative Plan. The concept or illustrative plan, a graphic illustration of potential land uses with descriptive text, shall be presented to the Director upon completion of the preliminary site and area analysis report. The Director will make a preliminary determination as to conformance with the General Plan, will determine whether a General Plan amendment is required, and will identify planning issues to be addressed in the submittal of the final Specific Plan. If it is determined that a plan amendment(s) is required, an application for General Plan amendment shall be filed concurrently with the Specific Plan submittal;

7. Specific Plan Proposal. After preliminary approval of the concept plan, a complete Specific Plan proposal shall be submitted which includes, but may not be limited to, the following:

a. Map Elements.

(1) The distribution, location and extent of all land uses with proposed densities and building heights;
(2) Existing and planned land uses within three hundred (300) feet of the Specific Plan boundary;
(3) Open space, recreational facilities, parks and trails;
(4) Public, educational, health care, and religious facilities;
(5) Drainage strategy;
(6) Name and location of existing or proposed arterial and collector streets located within the area to be regulated by the Specific Plan or needed for servicing that area; and
(7) Location and extent of existing or proposed provisions for sewage disposal, effluent use, storm water drainage, solid waste disposal and public utilities.

b. Text. The text of the Specific Plan shall describe the following:

(1) A statement of the long term direction of the Specific Plan identifying development opportunities, and formulating objectives, policies and implementation measures;
(2) A statement(s) indicating how existing and approved elements of the General Plan will be supported by the proposed Specific Plan;
(3) The compatibility of the Specific Plan with adjoining land uses;
(4) Recommendations and programs for systematic implementation of the Specific Plan and, if applicable, recommendations regarding annexation agreements and required ordinance or policy changes;
(5) Specific development standards for the map elements as described in the site and area analysis;
(6) Drainage strategy;
(7) Configuration and criteria for the phasing and maintenance of arterial and collector streets proposed for the Specific Plan area or needed for servicing the project;
(8) Configuration and criteria for the phasing and maintenance of sewage disposal, effluent use, storm water drainage, solid waste disposal and public utilities;
(9) Criteria for the conservation, development, or utilization of natural resources, including surface water, soils, vegetation and wildlife;
(10) General landscape program;
(11) For single-phase plans, a draft schedule for the preservation of site features established by the plan and the construction, dedication and provision of public services;
(12) For multi-phased plans, a draft schedule for the preservation of site features established by the plan, the development of the various planning areas of the Specific Plan, and the construction dedication and provision of public services;
(13) Provisions to update the Specific Plan every five (5) years to reflect changing market conditions, governmental regulations, and physical conditions; and
(14) Demonstration of conformance with the General Plan, or, if required by the Director, a General Plan amendment application.

c. A nonrefundable fee in accordance with Appendix 2, Planning Fee Schedule, provided in City Code Title 10, Zoning Code.
d. Incomplete submittals will not be reviewed.

E. Review and Recommendation by the Director. Upon completion of the Specific Plan, the Director shall review the plan and submit it to the Planning Commission. No Specific Plan may be adopted or amended unless the proposed plan or amendment is in substantial conformance with the General Plan.

F. Citizen Review. All applications for Specific Plans shall be subject to a citizen review process that provides effective, early and continuous public participation in accordance with the provisions set forth in Section 11-10.10.020(D)(3), Neighborhood Meeting. The Director may establish additional procedures for the citizen review process.

~~G. Planning Commission and Council Consideration. A Specific Plan will follow the procedures applicable to major amendments to the General Plan.~~

G. PUBLIC HEARING REQUIREMENTS FOR SPECIFIC PLANS. ADOPTION OF A SPECIFIC PLAN AND PROPOSED AMENDMENTS TO A SPECIFIC PLAN SHALL REQUIRE AT LEAST TWO (2) PUBLIC HEARINGS BEFORE THE PLANNING AND ZONING COMMISSION. THE HEARINGS SHALL BE HELD IN TWO (2) SEPARATE LOCATIONS IN THE CITY. NOTICE OF THE TIME AND PLACE OF EACH PUBLIC HEARING SHALL BE MADE BY PUBLICATION OF A NOTICE AT LEAST ONCE IN A NEWSPAPER OF GENERAL CIRCULATION PUBLISHED OR CIRCULATED IN THE CITY AT LEAST FIFTEEN (15) DAYS BUT NOT MORE THAN THIRTY (30) DAYS BEFORE THE PUBLIC HEARING.

H. SUPPLEMENTAL NOTICE REQUIREMENTS FOR SPECIFIC PLANS. ADOPTION OF A SPECIFIC PLAN AND PROPOSED AMENDMENTS TO A SPECIFIC PLAN SHALL BE NOTICED AS SET FORTH IN SECTION 11-10.20.020(B)(3).

I. APPROVAL BY COUNCIL. ADOPTION OF A SPECIFIC PLAN AND PROPOSED AMENDMENTS TO A SPECIFIC PLAN SHALL BE APPROVED BY AFFIRMATIVE VOTE OF AT LEAST FIVE (5) MEMBERS OF THE COUNCIL.

SECTION 2. Repeal of Conflicting Ordinances

All ordinances and parts of ordinances in conflict with the provisions of the code adopted herein are hereby repealed.

SECTION 3. Severability

If any section, subsection, sentence, clause, phrase or portion of this ordinance or any part of the code adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

SECTION 4. Clerical Corrections

The City Clerk is hereby authorized to correct clerical and grammatical errors, if any, related to this ordinance, and to make formatting changes appropriate for purposes of clarity, form, or consistency with the Flagstaff City Code.

SECTION 5. Effective Date

This Ordinance shall be effective thirty (30) days following adoption by the City Council.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this 3rd day of November, 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

11. C.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Jack Fitchett, Management Analyst
Co-Submitter:	Anja Wendel
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE:

Consideration and Adoption of Ordinance No. 2020-27: An ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code, Title 3 Business Regulations, by adopting a new chapter 3-12 Short-Term Rentals; providing for penalties, repeal of conflicting ordinances, severability, and establishing an effective date

STAFF RECOMMENDED ACTION:

At the October 20, 2020 Council Meeting:

1) Read Ordinance No. 2020-27 by title only for the first time
2) City Clerk reads Ordinance No. 2020-27 by title only (if approved above)

At the November 3, 2020 Council Meeting:

3) Read Ordinance No. 2020-27 by title only for the final time.
4) City Clerk reads Ordinance No. 2020-27 by title only (if approved above)
5) Adopt Ordinance No. 2020-27

Executive Summary:

A short-term rental (STR) is a single-family residence, unit within a condominium, coooperative or timeshare, or owner-occupied residential home that is rented for lodging accommodations of 30 days or less ("transient lodging"). It will also include a unit in a multiple-family dwelling unit offered for transient lodging.

The Short-Term Rental Ordinance will bring the City in line with current State law regarding short-term rental rules and regulations and provide clear and consistent messaging to our residents. This ordinance outlines the expectations, rules and regulations that come with operating a short-term rental (STR).

The key takeaways of this ordinance's requirements are:

1. STRs shall acquire a Transaction Privilege Tax (TPT) license.
2. STRs shall post all required information on site,as specified in this ordinance and in accordance with State law.
3. STRs shall register with all required information on the City site, as specified in this ordinance, i.e. owner's emergency contact information, etc.
4. No STR shall advertise their property in a way that would violate the City Code.

Additionally, this ordinance defines key terms and outlines civil penalties for owners of STRs that are in violation of any section of this ordinance.

Financial Impact:

By ensuring all short-term rentals are obtaining a Transaction Privilege Tax (TPT) license from the Arizona Department of Revenue, the City expects that its local tax revenues from STRs will rise. STRs are required to pay the same local TPT rate as hotels (4.281%) of gross revenue from taxable activity.

Although the ordinance will not be effective until January 1, 2021, STRs should already have TPT licenses and be remitting taxes to the Arizona Department of Revenue per existing state law.

Policy Impact:

This ordinance will help ensure that hotels and STRs are subject to the same tax treatment, as they are engaging in similar taxable business activity. This ordinance will also help us to better understand the number of STRs operating in the community, the effects of STRs on housing supply and the hotel industry in general, which may affect future policy decisions. The ordinance will also help STRs be operated in conformance with our land use codes that protect public health and welfare.

Connection to PBB Key Community Priorities/Objectives & Regional Plan:

Priority Based Budget Key Community Priorities and Objectives

Safe & Healthy Community: Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices.

Livable Community: Achieve a well maintained community through comprehensive and equitable code compliance.

Has There Been Previous Council Decision on This:

No.

Background/History:

In 2016 the Arizona Legislature preempted municipalities from taking action that would prohibit STRs (SB 1350).

In 2019 the Arizona Legislature passed HB 2762 allowing municipalities to require specific information as it relates to STRs, and gave some additional flexibility in how municipalities could regulate these properties.

On September 15, 2020, Council approved a contract with LodgingRev for software that would assist the City track, monitor, and enforce STRs. This software also allows STR owners the ability to register with the City free of charge. This software will also greatly assist our Code Compliance staff with enforcement related to this ordinance.

It was estimated in September 2020 that there are between 1300 - 1700 unique short-term rental properties operating within the City of Flagstaff municipal boundary.

Attachments: Ord. 2020-27
Presentation

ORDINANCE NO. 2020-27

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 3 BUSINESS REGULATIONS, BY ADOPTING A NEW CHAPTER 3-12 SHORT-TERM RENTALS; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE

RECITALS:

WHEREAS, in 2019 the State Legislature adopted Chapter 240, a new law relating to regulation of vacation rentals and short-term rentals, and codified in A.R.S. §§ 9-500.39, 11-269.17, 42-1125.02, 42-2001, 42-2003, and 42-5042; and

WHEREAS, pursuant to A.R.S. § 9-500.39 the City has limited authority to regulate short-term rentals as defined by state law to protect public health and safety, and is required to report verified violations of unlawful uses of such rental properties to the Arizona Department of Revenue; and

WHEREAS, the City desires to regulate short-term rentals and transient lodging accommodations, including rental of dwelling units within multiple-family developments, within the limits of its authority; and

WHEREAS, the City desires to monitor and obtain a greater understanding of how short-term rentals and transient lodging accommodations, including rental of dwelling units within multiple-family developments, affect the local economy, residential neighborhoods, and housing supply.

ENACTMENTS:

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FLAGSTAFF AS FOLLOWS:

SECTION 1. In General.

The Flagstaff City Code, Title 3 *Business Regulations,* is amended by adding a new Chapter 3-12, *Short-Term Rentals,* to read as follows:

CHAPTER 3-12 SHORT-TERM RENTALS

3-12-001-0001 DEFINITIONS

FOR PURPOSES OF THIS CHAPTER:

“LODGING ACCOMMODATION” HAS THE SAME MEANING AS PRESCRIBED IN A.R.S. § 42-5076 AND MEANS ANY SPACE OFFERED TO THE PUBLIC FOR LODGING, INCLUDING ANY HOTEL, MOTEL, INN, TOURIST HOME OR HOUSE, DUDE RANCH, RESORT, CAMPGROUND, STUDIO OR BACHELOR HOTEL, LODGING HOUSE, ROOMING HOUSE, RESIDENTIAL HOME, APARTMENT HOUSE, DORMITORY, PUBLIC OR PRIVATE CLUB, MOBILE HOME OR HOUSE TRAILER AT A FIXED LOCATION IN THIS STATE OR OTHER SIMILAR STRUCTURE OR SPACE (SUCH AS A DWELLING UNIT IN A MULTIPLE-FAMILY

DEVELOPMENT).

“NON-RESIDENTIAL USE” MEANS ANY USE PROHIBITED IN A RESIDENTIALLY-ZONED DISTRICT OF THE CITY.

“ON-LINE LODGING OPERATOR” HAS THE SAME MEANING AS PRESCRIBED IN A.R.S. § 42-5076 AND MEANS A PERSON THAT IS ENGAGED IN THE BUSINESS OF RENTING TO AN OCCUPANT, INCLUDING A TRANSIENT AS DEFINED IN § 42-5070, ANY LODGING ACCOMMODATION IN THIS STATE OFFERED THROUGH AN ONLINE LODGING MARKETPLACE.

“ON-LINE LODGING MARKET PLACE” HAS THE SAME MEANING AS PRESCRIBED IN A.R.S. § 42-5076 AND GENERALLY MEANS A PERSON THAT PROVIDES A DIGITAL PLATFORM FOR COMPENSATION THROUGH WHICH AN UNAFFILIATED THIRD PARTY OFFERS TO RENT LODGING ACCOMMODATIONS IN THIS STATE TO AN OCCUPANT, INCLUDING A TRANSIENT.

“SHORT-TERM RENTAL” OR “STR” MEANS ANY INDIVIDUALLY OR COLLECTIVELY OWNED SINGLE-FAMILY OR ONE-TO-FOUR FAMILY HOUSE OR DWELLING UNIT OR ANY UNIT OR GROUP OF UNITS IN A CONDOMINIUM, COOPERATIVE OR TIMESHARE, THAT IS ALSO A TRANSIENT PUBLIC LODGING ESTABLISHMENT OR OWNER-OCCUPIED RESIDENTIAL HOME OFFERED FOR TRANSIENT USE IF THE ACCOMMODATIONS ARE NOT CLASSIFIED FOR PROPERTY TAXATION UNDER A.R.S. § 42-12001. A SHORT-TERM RENTAL SHALL ALSO INCLUDE A DWELLING UNIT IN A MULTIPLE-FAMILY DEVELOPMENT OFFERED FOR RENT AS TRANSIENT LODGING.

“TRANSIENT” MEANS 30 DAYS OR LESS.

“UNLAWFUL USE OF A SHORT-TERM RENTAL” MEANS USE OF A SHORT-TERM RENTAL PROPERTY FOR ANY NONRESIDENTIAL USE, SPECIAL EVENTS THAT REQUIRE A PERMIT OR LICENSE, RETAIL BUSINESS, RESTAURANT, EVENT CENTER, BANQUET HALL OR OTHER USES PROHIBITED BY ARIZONA REVISED STATUTES, SECTION 9-500.39 AS MAY BE AMENDED.

“VACATION RENTAL” MEANS A SHORT-TERM RENTAL.

“VERIFIED VIOLATION” MEANS A FINAL ADJUDICATION FINDING OF GUILT OR CIVIL RESPONSIBILITY FOR VIOLATING ANY CITY CODE REGULATION RELATING TO UNLAWFUL USE OF A SHORT-TERM RENTAL.

ANY ARIZONA REVISED STATUTE (“A.R.S.”) REFERENCED IN THIS CITY CODE, SHALL MEAN THE LAW AS MAY BE AMENDED FROM TIME TO TIME.

3-12-001-0002 STR REGISTRATION

A. BEFORE OFFERING FOR RENT OR RENTING A SHORT-TERM RENTAL, THE OWNER SHALL PROVIDE TO THE CITY THE RENTAL ADDRESS; OWNER’S NAME; AND THE NAME, TELEPHONE NUMBER, AND EMAIL ADDRESS OF AN EMERGENCY CONTACT WHO CAN BE REACHED AT ANY TIME OF DAY. THE CITY MAY REQUIRE USE OF AN ONLINE REGISTRATION SYSTEM. THERE IS NO REGISTRATION FEE.

B. THE OWNER OF A TRANSIENT LODGING ACCOMMODATION THAT IS NOT A SHORT-TERM RENTAL MAY VOLUNTARILY REGISTER WITH THE CITY IN THE SAME MANNER AS THE OWNER OF A SHORT-TERM RENTAL.

3-12-001-0003 STR AND NOTICE TO BE POSTED

THE OWNER OF A SHORT-TERM RENTAL SHALL POST AND MAINTAIN THE FOLLOWING NOTICE, PRINTED IN MINIMUM FONT SIZE 12, IN A CONSPICUOUS PLACE WITHIN TEN (10) FEET FROM THE PRIMARY ENTRANCE TO THE SHORT-TERM RENTAL:

NOTICE

IT IS UNLAWFUL TO USE THIS PROPERTY FOR ANY NONRESIDENTIAL USE, SPECIAL EVENTS THAT REQUIRE A PERMIT OR LICENSE, RETAIL BUSINESS, RESTAURANT, EVENT CENTER, BANQUET HALL OR OTHER USES PROHIBITED BY ARIZONA REVISED STATUTES, SECTION 9-500.39.B, AS MAY BE AMENDED.

3-12-001-0004 STR COMPLIANCE, COMPLAINTS AND REPORTING

A. THE CITY POLICE DEPARTMENT AND CITY CODE COMPLIANCE MANAGER OR DESIGNEE IS DELEGATED AUTHORITY TO ENFORCE THIS CHAPTER.

B. THE CITY MAY USE EMERGENCY CONTACT INFORMATION TO RESPOND TO COMPLAINTS INVOLVING THE SHORT-TERM RENTAL.

C. THE CITY WILL MAKE A REASONABLE ATTEMPT TO PROMPTLY NOTIFY THE OWNER OR THE EMERGENCY CONTACT REGARDING AN ALLEGED VIOLATION OF CITY CODE RELATING TO AN UNLAWFUL USE OF A SHORT-TERM RENTAL PROPERTY.

D. THE CITY WILL ISSUE CITATIONS FOR AN ALLEGED VIOLATION OF A CITY CODE REGULATION RELATING TO AN UNLAWFUL USE OF A SHORT-TERM RENTAL. FOR EXAMPLE, A BUILDING CODE OCCUPANCY VIOLATION OCCURING ON A SHORT-TERM RENTAL PROPERTY WILL BE CITED AS A BUILDING CODE VIOLATION, AND NO SEPARATE CITATION WILL BE ISSUED FOR UNLAWFUL USE OF A SHORT-TERM RENTAL AS DEFINED IN THIS CHAPTER.

E. WITHIN 30 DAYS AFTER A VERIFIED VIOLATION, THE CITY WILL ENDEAVOR TO NOTIFY THE ARIZONA DEPARTMENT OF REVENUE AND THE OWNER OF THE SHORT-TERM RENTAL OF THE FOLLOWING:

i. A DESCRIPTION OF THE VIOLATION, LEGAL AUTHORITY, AND RESPONSIBLE PARTY;
ii. DATE OF VIOLATION;
iii. ANY CIVIL PENALTY AMOUNT ASSESSED ON THE OWNER.

3-12-001-0005 STR AND LODGING ACCOMODATIONS: TAX COMPLIANCE

IT IS UNLAWFUL TO OFFER FOR RENT OR RENT A SHORT-TERM RENTAL OR LODGING ACCOMMODATION PROPERTY, UNLESS:

A. THE OWNER OR ONLINE LODGING OPERATOR HAS A CURRENT TRANSACTION

PRIVILEGE TAX LICENSE FOR THE PROPERTY ISSUED BY THE ARIZONA DEPARTMENT OF REVENUE; AND

B. THE TRANSACTION PRIVILEGE TAX LICENSE NUMBER FOR THE PROPERTY IS LISTED ON EACH ADVERTISEMENT OR OFFER TO RENT THE PROPERTY.

POSSIBLE VIOLATIONS OF THIS SUBSECTION MAY BE REPORTED TO THE ARIZONA DEPARTMENT OF REVENUE FOR ENFORCEMENT.

3-12-001-0006 STR AND LODGING ACCOMMODATIONS: ADVERTISING

IT IS UNLAWFUL TO OFFER FOR RENT A SHORT-TERM RENTAL OR LODGING ACCOMMODATION FOR ANY USE THAT WOULD BE A VIOLATION OF CITY CODE.

3-12-001-0007 CIVIL PENALTIES

A. ANY PERSON FOUND IN VIOLATION OF SECTION 3-12-001-0002 (RELATING TO SHORT-TERM RENTAL REGISTRATION), 3-12-001-0003 (RELATING TO SHORT-TERM RENTAL NOTICES), SECTION 3-12-001-0006 (RELATING TO ADVERTISING) SHALL BE GUILTY OF A CIVIL INFRACTION AND SHALL BE FINED A SUM NOT TO EXCEED FIVE HUNDRED DOLLARS ($500.00). ANY VIOLATION WHICH IS CONTINUING IN NATURE SHALL CONSTITUTE A SEPARATE OFFENSE ON EACH SUCCESSIVE DATE THE VIOLATION CONTINUES, UNLESS OTHERWISE PROVIDED.

B. WHEN AN ONLINE LODGING OPERATOR FAILS TO COMPLY WITH A.R.S. § 42-5042 (RELATING TO TAX COMPLIANCE), OR AN ONLINE LODGING OPERATOR HAS RECEIVED A VERIFIED VIOLATION, THEN A.R.S. § 42-1125.02 ESTABLISHES STATE PENALTIES FOR SUCH VIOLATIONS. THE ARIZONA DEPARTMENT OF REVENUE WILL COUNT CITY CIVIL PENALTIES TOWARDS THE STATE PENALTIES OWED.

SECTION 2. Penalties.

Any person found in violation of this ordinance shall be guilty of a civil infraction and shall be fined a sum not to exceed five hundred dollars ($500.00). Any violation which is continuing in nature shall constitute a separate offense on each successive date the violation continues, unless otherwise provided.

SECTION 3. Repeal of Conflicting Ordinances.

All ordinances and parts of ordinances in conflict with the provisions of this ordinance or any part of the code adopted herein by reference are hereby repealed.

SECTION 4. Severability.

That, if any section, subsection, sentence, clause, phrase or portion of this ordinance or any of the amendments adopted in this ordinance is for any reason held to be invalid, unconstitutional, or unenforceable by a decision of any court of competent jurisdiction, such decision shall not affect any of the remaining portions thereof.

SECTION 5. Effective Date.

This ordinance shall be effective January 1, 2021.

PASSED AND ADOPTED by the City Council of the City of Flagstaff this third day of November 2020.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

CITY ATTORNEY

Short-Term Rental Ordinance

Jack Fitchett

Management Analyst

TEAM FLAGSTAFF

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Background

- In 2016 the Arizona Legislature preempted municipalities from taking action that would prohibit STRs (SB 1350).

- In 2019 the Arizona Legislature passed HB 2762 allowing municipalities to require specific information as it relates to STRs and gave some additional flexibility in how municipalities could regulate these properties.

- In Sept. of 2020, Council approved a contract with LodgingRev for software that would assist the City track, monitor, and enforce STRs.

- It was estimated in Sept. of 2020 that there are between 1300 - 1700 unique short-term rental properties operating within the City of Flagstaff municipal boundary.

Short-Term Rental Ordinance

Main Provisions:

1. STRs shall acquire a Transaction Privilege Tax (TPT) license.

2. STRs shall post all required information on site, as specified in this ordinance and in accordance with State law.

3. STRs shall register with all required information on the City site, as specified in this ordinance, i.e. owner's emergency contact information, etc.

4. No STR shall advertise their property in a way that would violate the City Code.

5. Defines important terms and outlines civil penalties for violations.

Short-Term Rental Ordinance

Education & Outreach

- Create a landing page on the City website to provide STR owners with all relevant information related to rules and regulations.
- Conduct outreach with STR owners, local HOAs, and other community partners.
- Communicate the requirements of this ordinance via advertisements, social media, etc.

Questions?

Thank You!

TEAM FLAGSTAFF

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12. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Dan Musselman, Deputy Police Chief
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE

Flagstaff Police Presentation on Public Safety Commissions.

STAFF RECOMMENDED ACTION:

This presentation will provide City Council with information on public safety commissions.

EXECUTIVE SUMMARY:

Cities may create a citizen review board on their own, depending on their charters and city ordinances, or it could come about as part of a consent decree ordered by a federal court after a finding of discrimination. There are various types of citizen review boards, with different authority.
Some boards pay their members, and others utilize community volunteers. Review boards may be authorized to make recommendations on complaint findings, officer discipline, or on police policy, but few make final decisions on all these matters. Public Safety Commissions primarily act as an advisory committee to the governing political body.

INFORMATION:

Recent events have resulted in this request by City Council for information on how the Flagstaff Police Department operates. This resulted in a presentation on current police policies, statistics and practices. A second presentation focused on the exploration of alternate response models. This presentation will focus on and citizen review boards and advisory commissions. These discussions are in line with the Mission of the City of Flagstaff to protect and enhance the quality of life for all.

Attachments: Review Boards PPT

Citizen Review Boards and Public Safety Commissions

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Tonight's Discussion

- Citizen Review Boards
  - Definitions
  - Initiated by local government
  - Initiated by consent decrees
  - Types of review boards

- Public Safety Commissions
  - FPD Citizens Liaison Committee

Definitions

- **Citizen Review Board:** A body of civilians dedicated to reviewing and improving police officer conduct. These agencies are an implementation of citizen oversight. This form of police accountability often gives the broader non-police community a medium to voice concerns and provide criticism of law enforcement operations. (Source: Wikipedia)
- **Consent Decree:** If there is substantial evidence of systematic abuse, the Department of Justice then begins the process of negotiating an agreement with the police department, city officials and those communities directly impacted by the abuse. Once the agreement is solidified, it then goes before a federal judge for approval and a federal monitor is assigned to oversee the reform process.
- Sometimes, but not always a civilian oversight board is required by the consent decree.

Agencies Under Consent Decrees

- Baltimore PD
- Newark PD
- Ferguson PD
- Maricopa County SO
- Cleveland PD
- Albuquerque PD
- Los Angeles County SO
- Portland Police Bureau
- Puerto Rico PD
- New Orleans PD
- East Haven CT PD
- Seattle PD
- Warren OH PD
- US Virgin Islands PD

Citizen Review Board Type 1

- *Citizens investigate* allegations of misconduct by officers and make recommendations to the chief
- Recommendations may be made on the findings, the discipline imposed, or on police policies
  - Most costly: Requires hiring investigators
    - Berkley CA – Average cost per complaint: $4,864
    - Flint MI – Average cost per complaint: $555
    - Minneapolis MN – Average cost per complaint: $3,171
    - San Francisco CA – Average cost per complaint: $2,237

Citizen Review Board Type 2

- Police Agencies investigate the complaint and develop findings; *citizens review and recommend* that the chief either approve or reject the findings
  - Less expensive; typically staffed by volunteers
    - Orange County CA – Average cost per complaint: $444
    - St. Paul MN – Average cost per complaint: $523
    - Rochester NY – Average cost per complaint: $4,269
    - Tucson AZ – Average cost per complaint: $755

Citizen Review Board Type 3

- *Complainants* may *appeal findings* established by the police department *to a group of citizens,* who review them and then recommend their own findings to the chief or sheriff
  - May be inexpensive if the review board is made up of volunteers
    - Portland OR – Average cost per complaint: $361

Citizen Review Board Type 4

- An *auditor investigates the process* by which the police department investigates complaints and reports on the thoroughness and fairness of the process to the department and the public
  - Mid-level expense range – requires hiring a professional auditor
    - Tucson AZ* – Average cost per complaint: $755
    - Portland AZ* – Average cost per complaint: $361

* Portland has a citizen appeals board (type 3) and an auditor who monitors the police bureau's complaint investigation process (type 4); Tucson has both a citizen board that reviews internal affairs findings (type 2) and an auditor (type 4).

Civilian Review Board Pros:

- Complainants report feeling:
  - "Validated" when the oversight body agrees with their allegations—or when they have an opportunity to be heard by an independent overseer regardless of the outcome
  - Satisfied at being able to express their concerns in person to the officer
  - They have contributed to holding the department accountable for officers' behavior
- Police Administrators report:
  - Improved relationships with their communities
  - Improved quality of internal investigations
  - Review Boards can make valuable policy recommendations

Civilian Review Board Cons:

- Unnecessary – Existing internal staff already conduct investigations and hold officers accountable for misconduct
- Costly – Depending on the type of board, the cost per investigation ranges from $361 to $4,864 per complaint
- Embarrassing to the officer if held/judged in public hearing
- Current risk of civilian Personnel Boards overturning a Chief's termination of a Police Officer fired for misconduct could be exacerbated
- Undermines Chief's authority – *Reports suggest that civilians are consistently more lenient on officers than police administrators

* https://www.latimes.com/local/lanow/la-me-ln-lapd-discipline-change-20170109-story.html

Public safety Commissions

- The City Charter, authorizes the City Council to create commissions and to grant to them duties and powers consistent with the Charter
- Commission members are appointed by and serve solely at the discretion of the City Council
- Commissions are given specific guidelines surrounding its purpose and authority

https://www.flagstaff.az.gov/994/Boards-Commissions

Public Safety Commissions

- Austin Texas Public Safety Commission
  - Makes budgetary and policy recommendations
  - Assists with long range planning
  - Advises on applications for state and federal grants
  - For Police, Fire and Emergency medical services

Public Safety Commissions

- Town of Castle Rock Colorado
  - Recommendations on levels of service
  - Community public safety issues
  - Funding for Police and Fire Departments

Public Safety Commissions

- Malibu Public Safety Commission
  - Operating and capital budgets,
  - Strategic planning,
  - Goals and objectives for staffing, facilities and community needs
  - For Police, Fire, Emergency Medical Response, Animal Control and Traffic

FPD Already has a Culture of Doing It Right:

- Early warning system
- Robust complaint, use-of-force, and vehicle pursuit investigation practices
- Unrivaled dedication to transparency
- Complainant can meet with the chief to review the complaint and body camera footage
- Citizen Liaison Committee (synopsized complaints to them)
- Prioritization of De-escalation, Implicit bias, & Mental Health Crisis training
- Longstanding positive relationships with community stakeholders

FPD Citizens Liaison Committee (CLC)

- Formed in 2015 to improve the communications process between the Department and community
- Meets monthly and has organized public meetings for our community every quarter since 2015
- Topics: use of force policies, know your rights, know an officer's authority, gangs in Flagstaff, Mental Health resources, etc..
- Made up of members who represent some of the typically underrepresented segments of our community
- To encourage community members to provide information about the police department without any fear of retribution and to act as a forum to address societal concerns
- Contact: flagstaffpdclc@gmail.com

Council Questions & Discussion

TEAM FLAGSTAFF

WE MAKE THE CITY BETTER

14. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Saltzburg, City Clerk
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE

Future Agenda Item Request (F.A.I.R.) A Citizens' Petition requesting that the Council "declare a Housing Crisis in the City of Flagstaff through Emergency Resolution. This action should be followed by the prioritization of housing as a focus of investment, action and support by the City."

STAFF RECOMMENDED ACTION:

Council direction.

EXECUTIVE SUMMARY:

In accordance with Art. II, Sect. 17 of the Flagstaff City Charter, any citizen may present a written petition to the City Manager, signed by a minimum of 25 citizens from the City...who shall present it to the Council at its next regular meeting. The attached petition was filed with the City Clerk's Office on October 13, 2020, requesting that the Council "declare a Housing Crisis in the City of Flagstaff through Emergency Resolution. This action should be followed by the prioritization of housing as a focus of investment, action and support by the City."

INFORMATION:

Chapter 1-12 of the Flagstaff City Code formalizes the information to be required, and the attached petition conforms to those requirements. As outlined in this chapter, the petition is to be submitted to the Council under Future Agenda Item Request (F.A.I.R.) to determine if there is Council interest in placing the item on a future agenda for consideration.

Attachments: Petition #2020-07 Cover Page
Petition #2020-07

Title of Issue:
Flagstaff's response to our local long-term Housing Crisis

Action Requested:
We request that Flagstaff City Council declare a Housing Crisis in the City of Flagstaff through Emergency Resolution. This action should be followed by the prioritization of housing as a focus of investment, action and support by the City.

Why Should Council Declare a Housing Crisis NOW?

- The lack of affordable and workforce housing in our community has been a crisis for 50+ years. Data shows housing costs have exceeded the buying/renting power of our workforce for decades, pushed up by limited supply and external demand. In 2010, nearly 25% of the housing market was second homeowners.
- Over the past 10 years, the median sales price increase has far exceeded the increase in household median income. Home sales prices have increased 53% over that time period, while median income has increased 23%.
- In 2019, the median sales price of a home in Flagstaff (considering all housing types: single family, manufactured, condo and town home) was $385,000. A family would need to earn approximately $81,600 annually to afford the monthly housing payment and have about $25,000 in funds to contribute toward the down payment and closing costs.
- In 2020, HUD's Fair Market Rent determination for a 2-bedroom apartment in Flagstaff was $1,266/mo. A family would need to earn $4,220/mo. or $50,640/yr. to afford that monthly rent.
- 54.6% of respondents to the ECoNA Housing Attainability survey stated they are considering leaving Flagstaff because of housing costs. 43.6% plan to leave in the "next few years." – ECoNA Housing Attainability for the Flagstaff Workforce, Nov. 2017.
- Flagstaff's Cost of Living is 15% higher than the national average, driven by housing costs that are 42.5% higher than the national average, according to the Flagstaff Chamber of Commerce.
- 43% of households in Flagstaff are cost burdened, paying more than 30% of their incomes for housing. 60% of renter households in Flagstaff are cost burdened, according to the ECoNA Housing Attainability for the Flagstaff Workforce report, Nov. 2017.
- Solving the City of Flagstaff's Affordable Housing Crisis furthers the Council's Climate Action and Adaptation Plan. (1) When households have decent, safe and affordable housing close to their employment and amenities, pollution due to transportation is reduced. (2) When housing is compact and energy efficient, it is more affordable long-term for the owner/renter and the amount of utilities used per household is decreased. (3) When we look to increase density, we reduce housing costs and reduce sprawl, as well as our impact on green fields.
- Housing is healthcare. The Covid Pandemic is a stark wake-up call to decision-makers, illustrating that individuals without stable housing are more vulnerable to poor health and communicable diseases, including COVID-19. Unhoused people have limited options for safe, sanitary shelter, making an effective response to the deadly virus extremely difficult. The economic crisis, which resulted from COVID-19 closures disproportionately impacts lower-income households, which are often one life-event away from eviction and/or foreclosure, causing housing insecurity.

Specific Outcomes:
Specific outcomes of the Housing Crisis declaration may include:

- The City of Flagstaff, with input from its Housing Commission will set a goal for affordable housing development and preservation within the City over the next 10 years. This goal and

progress toward achieving the goal will be assessed annually by the City Council in a report to the Council and community.

- Affordable and Workforce Housing (serving households at or below 125% area median income - AMI) will be a priority for ALL City of Flagstaff departments.
- City of Flagstaff will review city-owned land for viability/feasibility of development for affordable housing. Any proposed future development or preservation of City-owned land will consider affordable housing as a priority use for the site.
- Expedite the development of affordable housing on City-owned land, including the issuance of the City's RSOQ to identify a development partner for the redevelopment of public housing units and the expansion of affordable housing on city-owned land.
- Create a process for expedited development review of proposed affordable housing developments that guarantee to serve/benefit households below 100% AMI.
- Prioritize affordable housing within City staff's work plans.
- Review and revise the Incentive Policy for Affordable Housing to create meaningful incentive for the private sector to create affordable and workforce housing.
- Support changes to the zoning code that would increase the supply of housing, including changes to mixed-use development zoning that would allow for Affordable Housing in lieu of commercial use.
- Create and implement a public education and outreach campaign to educate the community about the need for affordable housing investment.

PETITION TO FLAGSTAFF CITY COUNCIL

Pursuant to Flagstaff City Charter Article II Section 17
and Flagstaff City Code Title I Chapter 12

Pursuant to the Flagstaff City Charter and the City Code, any citizen (resident) of the City may present a written petition to the City Manager, signed by a minimum of 25 citizens from the City of Flagstaff, which shall be presented to the City Council.

Title of Issue: Flagstaff's response to our local community's long-term Housing Crisis

Action Requested: We request that Flagstaff City Council declare a Housing Crisis in the City of Flagstaff through Emergency Resolution. This action should be followed by the prioritization of housing as a focus of investment, action & support by the City.

Printed Name of Submitter: Devonna McLaughlin
(Submitter must also sign below and complete information)

Contact Information: 928-214-7456 / devonnam@housingnaz.org
(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/09/2020	Kun Zhang	504 W. Cattle Dr. Trl.	
10/09/2020	Jin Wang	504 W. Cattle Dr Trl.	

RECEIVED BY CITY OF FLAGSTAFF		
DATE RECEIVED	BY	COUNCIL MEETING DATE
10/13/2020		10/20/2020

RECEIVED

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(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/9/2020	Elisabeth Monroe	2675 E. Hemberg Dr. Flagstaff, AZ 86004	Elisabeth Monroe
10/9/2020	Steven Zelles	2675 E Hemberg Dr Flagstaff AZ 86004	

RECEIVED BY CITY OF FLAGSTAFF		
DATE RECEIVED	BY	COUNCIL MEETING DATE

02/2016

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(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
100720	Madeline Cripe	2145 S. Linmar Ct. Flagstaff, AZ 86001	Madeline Cripe
100720	Katreena Blazencic	1201 E Ponderosa Pkwy Flagstaff, AZ 86001	
100720	Cutie Schott	2022 W Adirondack Ave Flagstaff AZ 86001	
100720	Elliot Rumpf	319 N. Park St. Apt E Flagstaff AZ 86001	
100720	Amanda Brown	700 South Blackford Roost St. #71 Flagstaff AZ 86001	Amanda Brown
100820	Sidney Broadley	5250 E. Cortland Blvd. APT 65 Flagstaff, AZ 86004	Sidney Broadley
100920	Chelsey Hodge	147 Pinecrest Tr Williams AZ 86046	Chelsey Hodge
100920	Alaina Armendariz	555 West Forest Meadows St Flagstaff, AZ	Alaina Armendariz

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PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10-8-20	WILLIAM WELLS	3395 E. LINDAVISTA Flagstaff, AZ 86004	
10-8-2020	Christina Barrett	2303 N. Izabel St. #103 Flagstaff AZ. 86004	
10-8-2020	Alexandrea Borrelli	2303 N. Izabel St 103 Flagstaff AZ 86004	

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/8/20	Catherine T. Dubay	2018 S Tombaugh Way	
10/8/20	Adrah Paratore	1863 W. Shelle Dr.	
10/08/2020	Brian Blaum	402 W. Apache Rd Flg, AZ	
10/10/2020	M Kathy Magness	406 W Apache Rd 86001	
10.10.2020	Paul Kris Paulsen	323 W. Apache Rd 86001	
10/10/2020	Margot Steffensen	422 W APACHE RD. 86001	
10/10/2020	Parke Steffensen	422 Apache RD. 86001	

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/	NANCY MARSHALL	528 Pinecliff, 86001	Nancy Marshall
10/ /20	DAVID HOBSON	101 S. PARK ST. S-2 86001	D Hobson
10.11.20	Theodore Bordwell	1427 W. Cochran	Theodore A. Bordwell
10/11/20	Pamela J. Garcia	1545 S. Paseo del Flag Flagstaff, AZ 86001	Pamela J Garcia
10/11/20	JULIE HEYNSSENS	1314 S Maricopa St Flagstaff 86001	Julie Heynssens
10/11/20	Matthew Hall	402 S. Leroux St. FLAGSTAFF, AZ 86001	Matthew Hall

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(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/05/2020	LEAH HARTMAN	316 N. BONITO ST., #1, FLAGSTAFF, AZ 86001	
10/6/2020	Kelly Elliott	923 N. Leroux St. #3 Flagstaff, AZ. 86001	
10/6/2020	Carson Pymes	539 S. O'Leary St #4 Flagstaff, AZ 86001	
10/6/2020	Darnell Allen	3325 E. Lockett Rd #2 Flagstaff, AZ 86004	
10/6/2020	Aaron Nastasie	5875 E. Butris Ln #31 Flagstaff, AZ 86004	
10/6/2020	Jaelynn Valencia	3046 Ancient Trl Flagstaff, AZ 86005	

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(Phone Number and/or e-mail address)

PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/5/2020	Yiqun Lin	1317 W. Lil Ben Tr. Flagstaff 86005	
10/5/2020	Joel McMullin	1317 W. LIL BEN TRL FLAGSTAFF, AZ 8600S	
10/5/2020	PIN NG	1234 W. LIL BEN TRL FLAGSTAFF, AZ 86005	
10/5/2020	Muj-Joo Wee	1234 W Lil Ben Trl Flagstaff-AZ 8600S	
10-6-2020	BILLIE GILMORE	1331 W. LIL BEN TRL FLAGSTAFF AZ 86005	
10-6-2020	Edward F. AYALA	1331 W. LIL BEN TRL FLAGSTAFF AZ 86005	

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PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/5/20	Kailey Jensen	5077 S. Amethyst Rd	Kailey Jensen
10/5/20	Christina Severinghaus	533 W Wulfenite	Christina Severinghaus
10/5/20	Nathan Rapke	2711 N Prescott Rd Flagstaff	
10/5/20	STEPHEN PROBERT	549 W Cinnabar Trl, Flag.	
10/5/20	Sheri Williams	5920 Buckboard Trl	
10/5/20	Ashlee Binderim	12195 N Copeland Ln.	
10/6/20	M. Sarah Rendon	2280 S. Rocking horse Ln.	
10/6/20	Richard Brust	3725 S. Yaqui Dr. #2A	

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DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/5/2020	DAVID HAYWARD	3325 N Antler King Flagstaff AZ 86001	
10/5/2020	Larwin Begashaw	P.O. Box 467 Sanders	
10/5/2020	Aston Hayden	2110 N 1st St Apt A Flagstaff, AZ 86004	
10/5/2020	Michelle McMannon	3787 E. Sycamore Dr. Flagstaff, AZ 86004	
10/5/2020	TAD Moore	1155 E. APPALACHIAN Dr FLAGSTAFF, AZ 86004	
10/06/2020	Angela Kader	2716 N. West St Flagstaff, AZ 86004	
10/06/2020	Tyler Welch	5303 East Cortland Blvd Apt J-10 Flagstaff, AZ 86004	

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Printed Name of Submitter: Devonna McLaughlin

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Contact Information: 928-214-7456 / devonnam@housingnaz.org

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PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/5/2020	Sandi Flores	1620 N. Center St. Flagstaff AZ 86004	
10/5/2020	Kelly Wells	3325 E. Linda Vista Dr. Flagstaff, AZ 86004	
10/5/2020	Devonna McLaughlin	69 W. Travertine Tr. Flagstaff, AZ 86005	
10/5/2020	CATHY SMALL	185 E. HUTCHESON DR FLAGSTAFF AZ 86001	
10/5/2020	Leah Bloom	402 West Apache Road Flagstaff AZ 86001	
10/5/2020	Jennifer Mikelson	3159 N. Kyle Loop Flagstaff, AZ 86004	
10/5/2020	AJ Flores	1620 N. Center St. Flagstaff AZ 86004	
10/5/2020	Amanda Gisbile	P.O. Box 362 Tuba City, AZ	
10/5/2020	Sarah Annibal	940 E Jackson Dr Apt 343 Flagstaff, AZ 86001	
10/5/2020	Tatum Covey	1350 E Knoles Dr #130 Flagstaff, AZ 86001	

RECEIVED BY CITY OF FLAGSTAFF		
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PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/5/20	Andrea Scully	2902 N. Alta Vista Dr.	A Scully
10/5/20	Eric Nolan	406 W Cherry Ave #B Flagstaff AZ 86001	
10/5/20	DAVID BONNELL	402 S LEBOUX, FLG 86001	

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PETITION SIGNATURES

DATE SIGNED	PRINTED NAME	RESIDENCE ADDRESS	SIGNATURE
10/02/20	Lauren Lauder	3746 E. Avocet Ave., Flagstaf	
10/5/20	Luke Ostrand	2488 W. Gunnison 86001	
10/5/20	Erin Moore	1155 E Appalachian Rd. 86004	
10/5/20	Sukhdip Sekhon	316 Bonito St.	
10/5/20	Lucy Amos	115 E. Terrace Ave Apt 24	

RECEIVED BY CITY OF FLAGSTAFF		
DATE RECEIVED	BY	COUNCIL MEETING DATE

15. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Stacy Saltzburg, City Clerk
Date:	10/14/2020
Meeting Date:	10/20/2020

TITLE

City Manager Report

STAFF RECOMMENDED ACTION:

Information Only

EXECUTIVE SUMMARY:

These reports will be included in the City Council packet for regularly scheduled Council meetings, excluding Work Session meetings. The reports are intended to be informational, covering miscellaneous events and topics involving the City organization.

INFORMATION:

Attachments: Manager's Report

City Manager's Report

October 15, 2020

Council and Colleagues, Greetings.

These reports will be included in the City Council packet for regularly scheduled Council meetings, excluding Work Session meetings. The reports are intended to be informational, covering miscellaneous events and topics involving the City organization. In no particular order…

Community Development

Awards

In the previous Report, we were able to highlight a couple of very impressive awards received by the Water Resources Team. Now we are highlighting yet another remarkable award as received by a member of our Community Development Team. This is quite an accomplishment, and so very well deserved. Please see below quotes:

"Our Building Official Amy Palmer has just been awarded the prestigious award of **Building Official of the Year from the Arizona Building Officials Organization**!

Amy truly deserves this award. Observing Amy's efforts over the last 5 or so years, in becoming Building Official, earning her CPM from ASU, not only by being a leadership mentor to myself but a code official mentor to our entire program, Amy 's career track is very impressive! The entire building inspection and plan review staff greatly value Amy's kind, professional, and compassionate guidance.

And knowing that she juggles a demanding City of Flagstaff day job with the even more challenging full-time job of mother to her two girls makes earning this award even more impressive. A round of applause! Congrats Amy!"

-- Rick Staniosis

"It was quite a surprise and I'm very humbled by what was said by those who nominated me. I truly love my job, where I work and my staff. I couldn't be what I am without excellent people on my team and I appreciate all they do for me and for the City. I believe Building Safety represents the City extremely well."

-- Amy Palmer

Capital Projects Update

And also coming from Community Development, please see the October Update from Capital Projects, which is appended to this Managers Report. The Capital Projects team has been very busy on a multitude of projects … and lots to show for it. See the respective projects that are referenced in the attached report.

New Courthouse is starting to see life!

WE'RE MOVING IN!!!! The State elevator inspector just signed off. This means that the project should be receiving its Certificate of Occupancy shortly. The Court and Prosecutor's staff have been moving into the building the week of October 12th with start of Court business scheduled for October 19th.

There have been extensive training sessions this week on electrical, HVAC, plumbing, fire safety, landscaping, and audio/visual systems for City Facilities staff and building occupants. City Facilities staff will be clearing out the old Court and Prosecutor's offices October 19th - October 30th and building abatement is scheduled for the week of November 2nd with demolition to follow. More information of the move-in is provided in the attached Capital Projects Update.

Police Department

General Updates

- Flagstaff Police Department staff attended the FUSD Townhall presented by the Anti-Racism/Bias Commission, met with NAU Dean on Student Conduct, Court Security and Emergency Preparedness Meeting, High Country Humane meeting, and a 911 rerouting of mental health crisis calls meeting.
- FPD Patrol monitored a first amendment assembly protest on October 5th at City hall for teachers/citizens who wanted the schools to open and an anti-Columbus protest on October 11th. Council was copied on a letter from the City Manager to the PD personnel to recognize the excellent work in keeping things peaceful during this protest.
- Sgt. Hernandez did a driver's education presentation via ZOOM for Coconino High School.
- Communications Manager Katie Brandis attended a text to 911 meeting and the system is set to go live in December.
- There was a mandatory training for all officers on Understanding Stress & Trauma and How to Cope which included an evening session allowing partners and spouses of Officers an opportunity to attend.
- Special Services Manager Chad Smith attended a meeting with City and County IT to determine a path forward for changeover to City Information Technology being their support for E-mail, Phones, desktops, and help desk issues.
- Interim Chief Musselman was interviewed by an NAU student group requesting police reforms.

Staffing

The Flagstaff Police Department experienced full staffing from April through June of 2020. It was a milestone accomplishment. It was also very short lived.

Since June, there has been an increase in Department personnel deciding that police work is no longer for them, they are going to retire, or there are reasons for them to go and work for another agency (closer to family or due to cost of living). We have seen a bit of an exodus.

The Flagstaff Police Department is currently down 12 of 70 officer positions in patrol. This includes the seven positions of which the Department is accepting applications (two in the Academy, graduating in December; two in Field Training with completion by December; and one on leave). There are also four employees out due to COVID which brings this total to 16 out of 70. In addition, the Department has two more employees retiring in October/November, one more potential retirement in February, and three officers testing for other agencies.

When there is an increase in the number of vacancies this can lead to squads running at minimum staffing, the suspension of specialty assignments, and more difficulty in scheduling officer training. During this pandemic the amount of time it takes to book an individual can also take an officer out of patrol for a couple hours, which leaves an even lower number of officers to respond to calls for service. Workload can become overwhelming and fatigue sets in.

The Flagstaff Police Department have had 29 officer applications since June of 2020, with two hires, and a third who was hired and sent to the Police Academy in September. Unfortunately,

this candidate decided to pursue a different career while attending the Academy. There are currently three applicants in the background process and five scheduled for testing.

Recruitment of officers during a pandemic, and certainly in the middle of a national anti-police narrative, is quickly becoming a difficult task. Many who may have been interested in a career in law enforcement are now choosing a different path.

Given changes in criminal justice program focus, some universities may no longer be a viable resource. Human Resources and our Police Department personnel are working to find new areas to recruit, including the consideration of recruitment through other western state colleges outside of Arizona with programs that align with Flagstaff's policing philosophies, or the direct recruitment of officers from other states who may wish to relocate to a more desirable location such as Flagstaff. Most recently there has also been discussion of underfilling an officer position in order to hire additional police aides to better manage the workload. Although police aides are not certified police officers, they can respond to non - emergency calls and provide assistance to officers, which allows officers to respond to higher priority calls and balance the large volume of calls for service. Stay tuned on this emerging topic of high importance.

Fire Department

- When looking at the number of calls for service for the first half of the calendar year, the FFD has experienced an increase in calls over the past two years. In 2018 there were 6,854 calls for service, which grew to 7,206 in 2019, and 7,443 in 2020.
- FFD started tracking COVID 19 related calls on March 19th. Since then FFD has had 390 responses for these calls, with an average of 1.9 per 24-hour shift.
- After a very competitive process, two employees will be promoted to the rank of Captain and Engineer. Mike Felts will be promoted to the rank of Fire Captain and Katie Brown to the rank of Fire Engineer. Congratulations to these fine employees for their advancements. Stay tuned for additional information regarding the effective dates of the promotions and assignments.

Human Resources

- Alan Keay has joined the City as the new HR Manager. Congratulations to Alan, and welcome to the team!
- HR has been working on implementation of new evaluation software. It will prove to be a much more meaningful, and easier to use, evaluation tool. It will also incorporate more goal-based criteria and leadership-based competencies. Stay tuned.

Public Works

- In accordance with Council directive, the Jay Lively Activity Center has reopened on Monday, October 12th.
- The Joel Montalvo Park building lease RFP closed on September 29th with one (1) submittal.

- Repairs are complete on the FUTS that was compromised by two adjacent private developments causing a slipping hazard on the low-water crossing. Parks created a U-channel grate system with a cut and pour back of the concrete trail. The repair looks amazing (see picture).

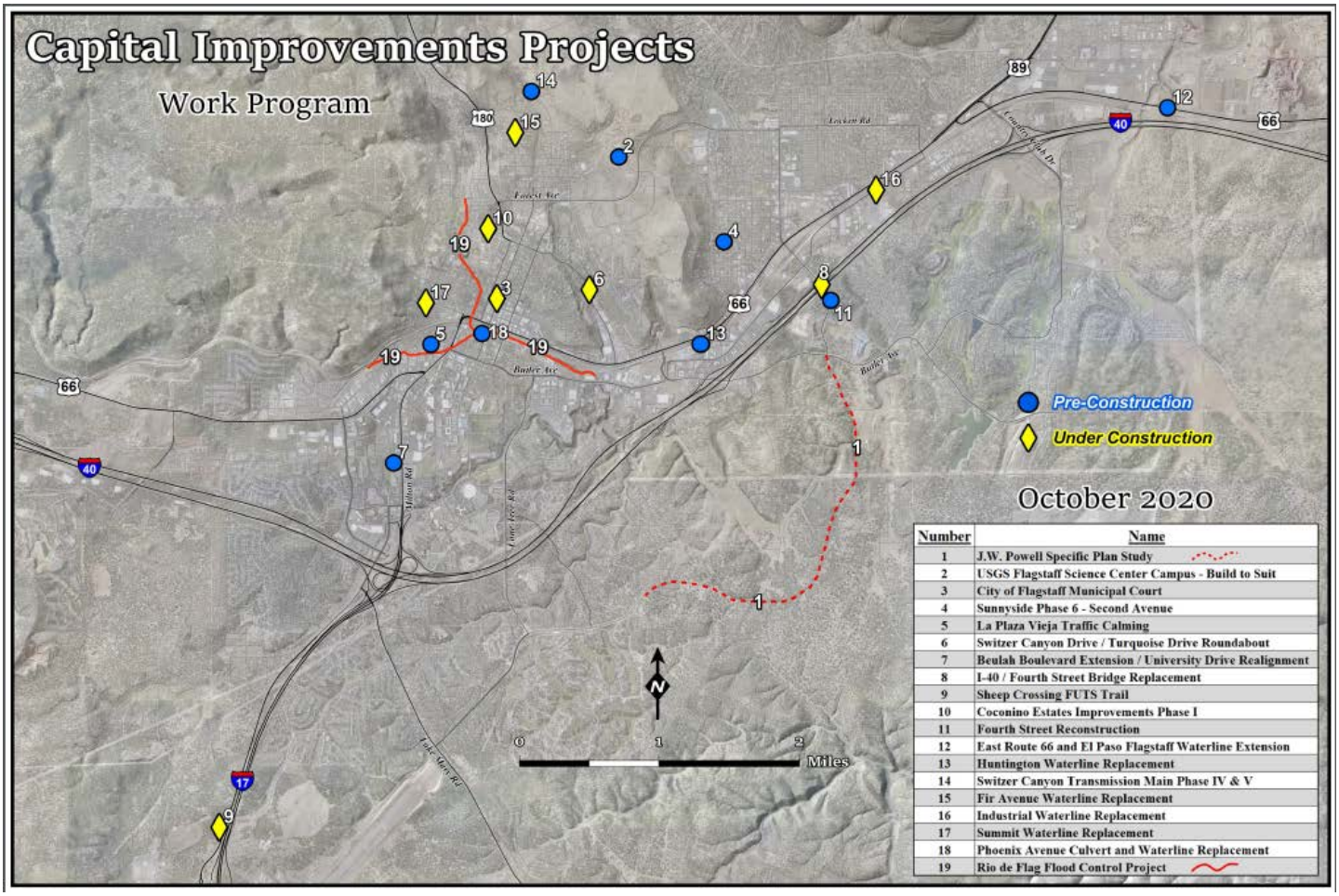
- On October 24th and 25th, 2020, Parks, Sustainability, Solid Waste, and NAU are all participating in a drop-off event for compostable green waste: pine needles, leaves, and grass clippings. There will be a few locations within City limits over that weekend with the sites managed by staff.
- City Hall, following the guidelines as established under the Re-Entry Phase 3 Guidelines, has been functioning quite well with the issuance of face masks to citizens needing access for business in the facility. Customer Service and Community Development are averaging five to ten customers a day each. Big props to the Facilities crew and the employees for helping to ensure compliance.
- As noted elsewhere in this report, but indeed worthy of multiple comments, the Municipal Court has started moving on October 12th. The courtroom is expected to be operational on Monday, October 19th. The "old" City Courts and Prosecutors Building will be closing next week for occupancy and Facilities staff will use the next two weeks, prior to asbestos abatement, for clearing the building of items left behind. Only minor salvage is expected with furniture and fixtures.
- Through analysis with the Parks' arborists, staff are seeing upward of 80% mortality of new trees planted last year because of the severe drought conditions. Additionally, many of those trees also have frost-cracking. It's been a tough year on the new plantings. Staff will continue to explore the best resources for nursery and tree types appropriate for the changing climate.
- Street sweeping operations are seeing an increase in pine needles and fall leaves (perhaps related to drought conditions as noted above). Work continues in areas throughout the community and is taking repeated passes in some areas to clean properly and collect the fall foliage.
- Fleet preparations are in process of reviewing status of snow operations equipment as well as Fleet Services parts inventory supporting our winter activities. Council will soon be hearing an update regarding this year's snow operations. And … a timely reminder to all to please check your tires, lights, and wipers before the snow flies.

Risk Management

- Since July 1st to date we have had seven recordable injuries. This compares to a seven-year average of 14 per year. This is our best year to date for injury reductions, and we are all grateful for this.
- The total number of liability, property, and auto claims is running on par with previous years.

Finally, the attached Capital Projects Update for October is provided for your information. The map below will give you a location reference of the respective projects. Enjoy!

That's all for now Council. Onward and upward …



Number	Name
1	J.W. Powell Specific Plan Study
2	USGS Flagstaff Science Center Campus - Build to Suit
3	City of Flagstaff Municipal Court
4	Sunnyside Phase 6 - Second Avenue
5	La Plaza Vieja Traffic Calming
6	Switzer Canyon Drive / Turquoise Drive Roundabout
7	Beulah Boulevard Extension / University Drive Realignment
8	I-40 / Fourth Street Bridge Replacement
9	Sheep Crossing FUTS Trail
10	Coconino Estates Improvements Phase I
11	Fourth Street Reconstruction
12	East Route 66 and El Paso Flagstaff Waterline Extension
13	Huntington Waterline Replacement
14	Switzer Canyon Transmission Main Phase IV & V
15	Fir Avenue Waterline Replacement
16	Industrial Waterline Replacement
17	Summit Waterline Replacement
18	Phoenix Avenue Culvert and Waterline Replacement
19	Rio de Flag Flood Control Project

COMMUNITY DEVELOPMENT DIVISION

ENGINEERING SECTION

Monthly Capital Projects Report

October 2020

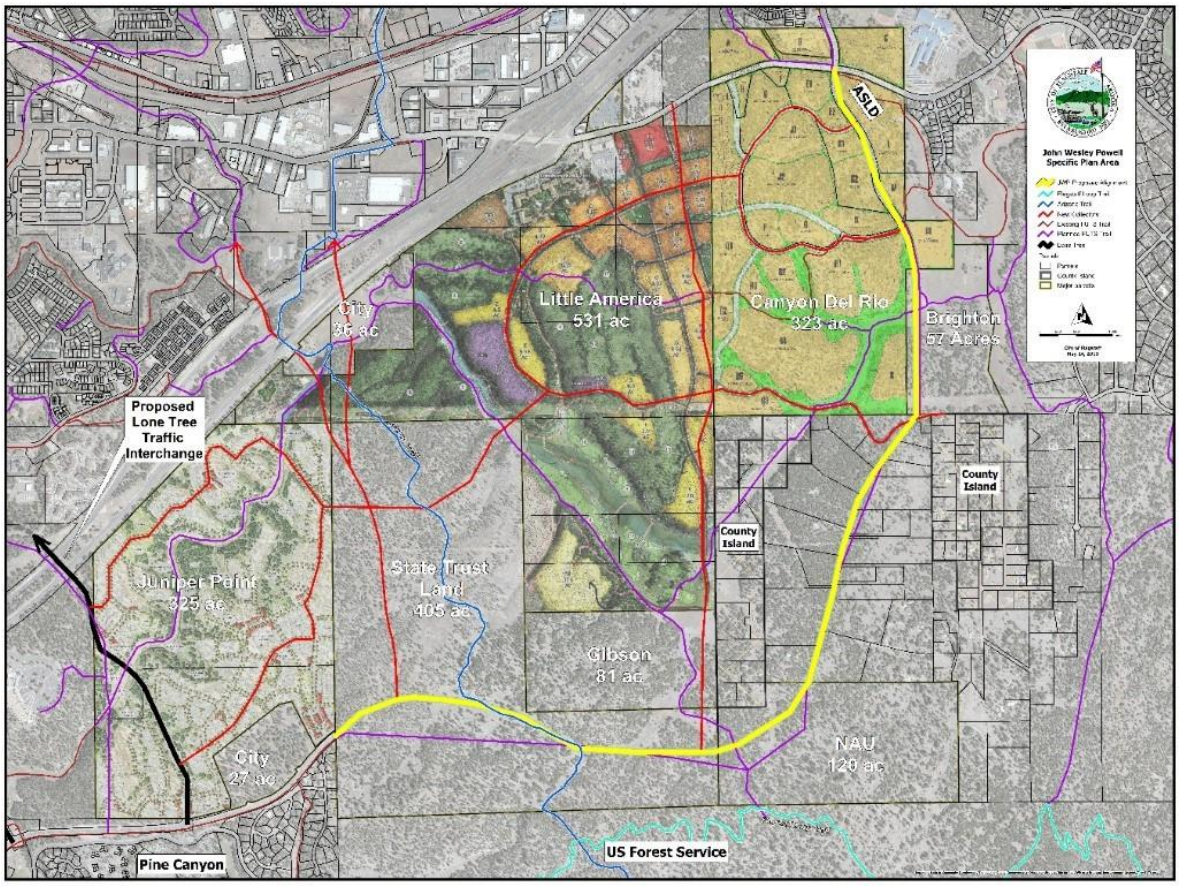
J.W. Powell Specific Plan Study (PLANNING PHASE)

FUND: GENERAL GOVERNMENT & TRANSPORTATION TAX

Description – The purpose of the John Wesley Powell Specific Plan Study (Study) is to develop a specific plan to guide the future private development of public infrastructure, utilities and facilities. Phase 1 of the project is the conceptual design of the future public infrastructure (roads), public utilities and facilities location analysis. The conceptual design is required to meet the full City infrastructure standards including street improvements, potable water, sanitary sewer mains, storm drain systems, street lighting and associated appurtenances. Phase 1 of the Study includes a sanitary sewer system master plan for the area. A water system master plan was previously developed for the area. Phase 2 of the Study is development of the planning elements necessary to gain City Council approval of a Specific Plan.

Project Update:

- Peak Engineering and City Staff are reviewing data to be shared at the 27 October Council meeting.
- Change Order 3 is being reviewed to add public involvement component of corridor-affected parcel owners during Phase 1, prior to transitioning to Phase 2 (spring 2021) which will have additional public involvement.



Proposed alignment of new J.W. Powell Boulevard. and Fourth Street; denoted by yellow line

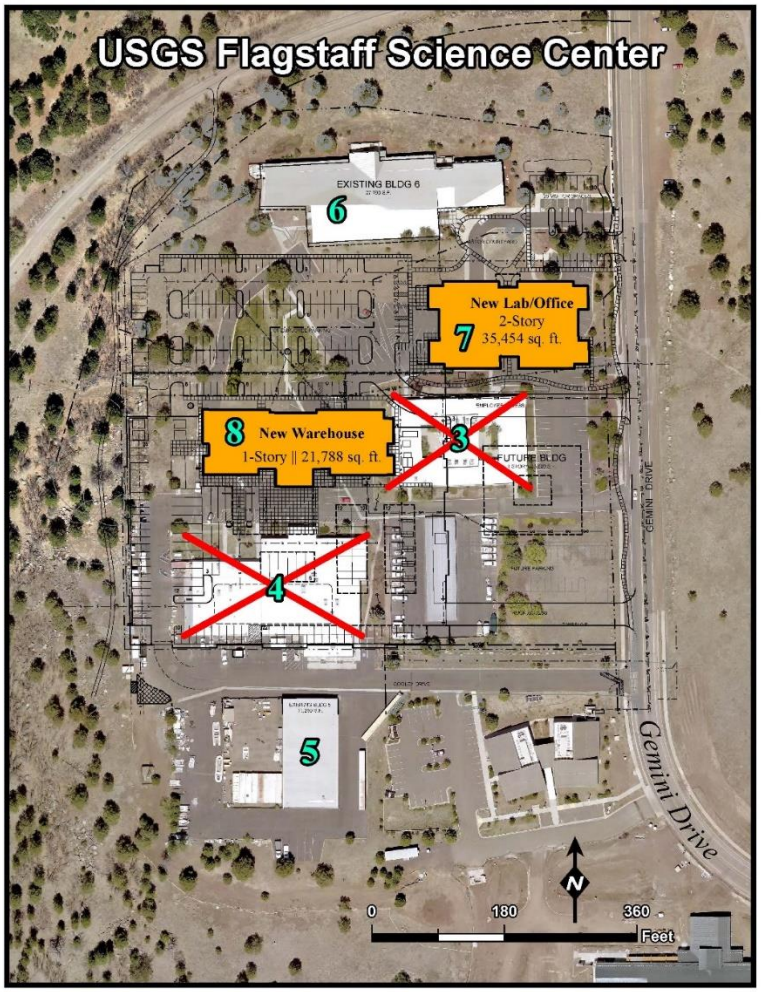
USGS Flagstaff Science Center Campus - Build to Suit (DESIGN PHASE)

FUND: GENERAL GOVERNMENT

Description – This project will bring new improvements to the USGS Flagstaff Science Campus, located just south of Buffalo Park. There will be two existing buildings demolished (buildings 3 and 4), and two new buildings constructed (buildings 7 and 8). One of the new buildings will be a new lab and office facility while the second building will be a new warehouse. These two new buildings will require a minimum certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design (USGBC) of "Green Building Rating System" of "LEEDTM Silver for New Construction (NC)."

Project Update:

- City Staff is working to draft Request for Statement Of Qualifications (RSOQs) to procure a design-build contractor.
- Lease agreement approved by Council on 15 September.



USGS Flagstaff Science Center Campus.
Buildings to be constructed are shown in orange.
Buildings 3 and 4 (shown with red a X) will be demolished.

City of Flagstaff Municipal Court (CONSTRUCTION PHASE)

FUND: GENERAL GOVERNMENT

Description – The City of Flagstaff Municipal Court Project is a 40,000 SF facility that will provide full user services to the City Court, the City Prosecutor's Office, and the public. It is located two blocks north of the existing Court facility, at 101 W. Cherry. Amenities include: four court rooms, one hearing room, administrative staff offices for the Court and Prosecution, in-custody detention and processing, and customer service facilities

Project Update:

- **WE'RE MOVING IN!**
- The Court and Prosecutor's staff are moving into the building the week of October 12 with start of Court business scheduled for October 19.
- Construction is nearing full completion with final Certificate of Occupancy inspections and punch list items occurring the week of October 12.
- There have been extensive training sessions this week on electrical, HVAC, plumbing, fire safety, landscaping, and audio/visual systems for city Facilities staff and building occupants.
- The elevator final inspection and sign off is anticipated for October 14.
- City Facilities staff will be clearing out the old Court and Prosecutor's offices October 19 - October 30 and building abatement is scheduled for the week of November 2 with demolition to follow.

Court Facility looking at the main entrance – northeast corner

Dedication plaque – it took a great team of staff, hard work from the contractor and consultants, and the support of City leadership to make this building a success.

Lobby looking north to the main entrance. Millwork is mounted to route traffic in and out through the security area.

Division 3 Court Room on the second floor

New Court Room ready for action! Note the large monitor screen on the wall to the left of the bench to assist with presentations of evidence.

Furniture being installed in the Court Customer Service staff area

Sunnyside Phase 6 – Second Avenue (DESIGN PHASE)
FUND: HIGHWAY USER REVENUE FUND (HURF)

Description – This project improves stormwater drainage, rebuilds the asphalt roadway surface, and constructs sidewalks and driveways along one block of Second Avenue, between West and Center Streets, in Sunnyside.

Project Update:

- The final plans by Peak Engineering have been signed by appropriate city staff.
- This project does not currently have funding for construction.
-

Extent map of the Sunnyside Phase 6 – Second Avenue Project

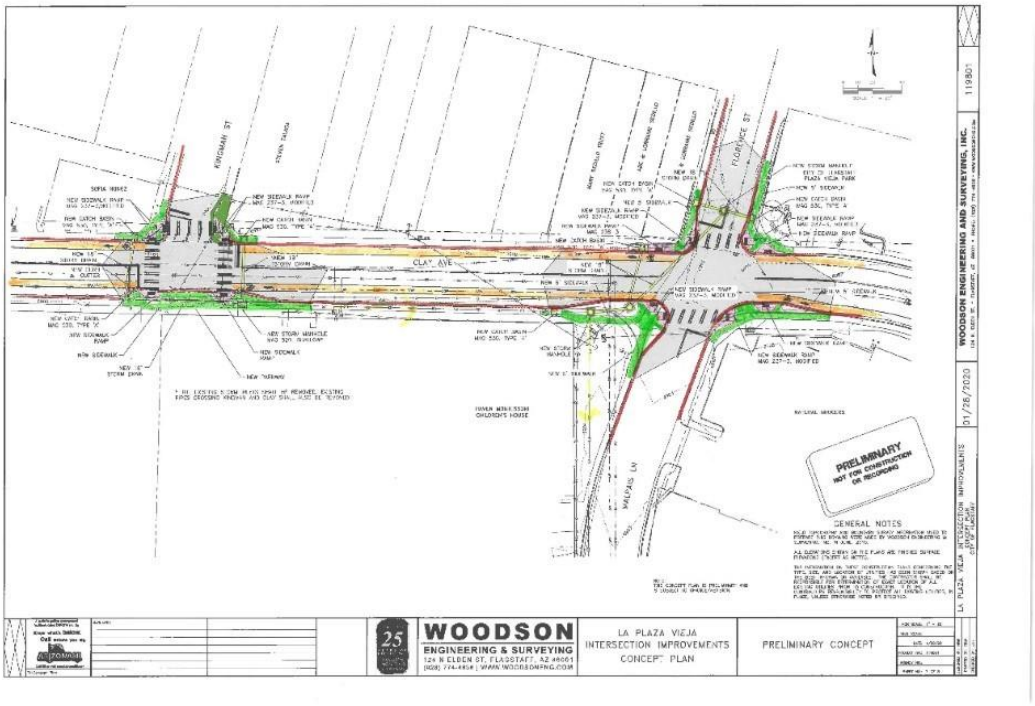
La Plaza Vieja Traffic Calming (DESIGN PHASE)

FUND: TRANSPORTATION TAX (SAFETY) & HOUSING [CDBG] ALLOCATION

Description – The project is assisting the neighborhood by improving pedestrian safety of crosswalks, sidewalks, bike lanes and storm drainage at the Kingman Street and Florence Street/Malpais Lane intersections with Clay Avenue.

Project Update:

- Capital Improvements is assisting Comprehensive Planning.
- Consultant is working on the 90% plans and specifications.



Conceptual Plan of Proposed Improvements

Switzer Canyon Drive/Turquoise Drive Roundabout (CONSTRUCTION PHASE)
FUND: TRANSPORTATION TAX (SAFETY) & HIGHWAY SAFETY IMPROVEMENTS PROGRAM (HSIP)

Description – This is an intersection safety improvements project through the construction of a roundabout at the intersection of Switzer Canyon Drive / Turquoise Drive / Canyon Terrace Drive. The project is being managed and delivered by ADOT.

Project Update:

- ADOT and McDonald Brothers, the Contractor, performed the pavement corrections and various punch list items during the week of July 13 through July 16, 2020.
- A few items remain on the punch list. Date for completion of these items is to be determined.
- City staff and ADOT will be meeting with McDonald Brothers to discuss final disposition of construction related claims for additional contract time in early December.

Corrected pavement looking north

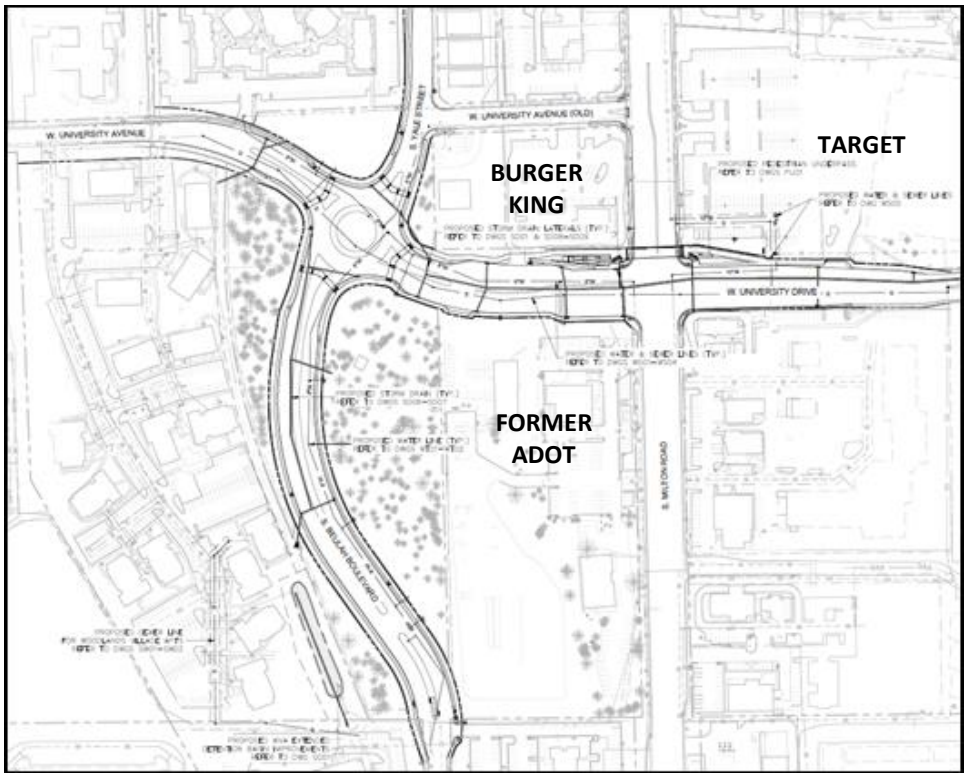
Beulah Boulevard Extension/University Drive Realignment (DESIGN PHASE)

FUND: TRANSPORTATION TAX (STREETS)

Description – This project extends the northern terminus of Beulah Boulevard to connect with University Drive. Furthermore, University Avenue (west of Milton) will be realigned to match up with University Drive (east of Milton). A new roundabout will be constructed where Beulah Boulevard and University Drive will intersect.

Project Update:

- Loven Contracting is expecting to begin demolition work beginning Monday, 19 October. This project will demolish the three former ADOT structures and four former Fresquez structures.
- City staff is working with the Police and Fire Departments to offer critically important training in the buildings to be demolished.
- City staff is reviewing the escrow instructions for the City and Vintage Partners to fund the final design.



Extent map of new Beulah and University Realignment – taken from 30% plans

I-40/Fourth Street Bridge Replacement (CONSTRUCTION PHASE)
FUND: TRANSPORTATION TAX (STREET & OVERPASS)

Description - A partnership with ADOT, the I-40/Fourth St. Bridges Project will replace the existing two travel lane bridges across the interstate with new bridges accommodating four travel lanes, a center median/turn lane, bike lanes, FUTS trail and pedestrian/bike path. A bridge slide will be utilized to reduce closures of Fourth St. from 3-4 months to approximately 17 days. The project is being administered by ADOT and the total City financial commitment is $8,854.644.

Project Update:

- Striping of Fourth Street is complete.
- Lane shifts will continue on I-40.
- Bridge painting is underway.
- Punchlist work will continue into late October for final project completion.
- A project celebration event has been scheduled for October 19th at 11:00AM (on site).

Fourth St. Bridge – Construction continues

Sheep Crossing FUTS Trail (CONSTRUCTION PHASE)
FUND: TRANSPORTATION TAX (FUTS)

Description – The Sheep Crossing FUTS Trail connects the Ponderosa FUTS Trail on the east end, just south of the Ponderosa Trails Subdivision, and the Sinclair Wash FUTS Trail on the west end. The western portion of the trail is in Fort Tuthill County Park and intersects the County's Soldiers Trail. Furthermore, this 0.74-mile trail is a connecting portion of the greater 44-mile Flagstaff Loop Trail. This trail utilizes two concrete box culverts for passage under Highway 89A and Interstate 17.

Project Update:

- FUTS safety fencing has begun west of the West Portal (see picture below).
- New guardrail installation continues along southbound Beulah/89A.
- FUTS trail aggregate is being placed on the western portion of the trail.
- Preparation underway for 10-barrel scupper at the East Portal.

Beginning of the FUTS safety fencing installation on the west side of tunnel

Coconino Estates Improvements Phase I (CONSTRUCTION PHASE)

FUND: ROAD REPAIR & STREET SAFETY

Description - This is a utility and roadway improvements project located in the Coconino Estates neighborhood on Beal Road from Rockridge Fort Valley, Navajo Drive from Navajo Road to Murray, Whipple Road from Navajo Drive to McMillan, and Navajo Road from Navajo Drive to Fort Valley. Improvements on the streets generally consist of replacing existing infrastructure with new, including water and sewer mains, water and sewer services, fire hydrants, storm drains, street lights, the entire asphalt road way, and defective select edge improvements (curb & gutter, sidewalk, etc.), except for Whipple Road which will only receive a new water main. There will also be new infrastructure added consisting of underground electric lines for streetlighting and sidewalk on both sides of the street where it does not currently existing on Beal Road, Navajo Drive south of Beal, and on Navajo Road.

Project Update:

Navajo Road (Construction Zone #1)

- Completed utility installations including new water and sewer mains, water and sewer services, and underground electric conduit.
- Curb and gutter, sidewalk, and driveway installation continues.
- Roadway demolition and subgrade preparation continues.
- Paving is scheduled for October 13 from HWY 180 to the west side of the Hopi intersection.

Navajo Drive (Construction Zone #2)

- Sewer service and manhole installation continues.

Traffic Impacts

- Navajo Road, Navajo Drive, and the Navajo/Hopi Intersection are closed to through traffic.
- Detours are posted around the closures.
- During the Navajo Road and Hopi Drive Intersection closure, Mountain Line Bus route #5 will detour down Beal Road and Aztec Street to get from Fort Valley Road to Thorpe Road instead of its typical route down Navajo Road and Hopi Drive.
- Mountain Line's stops 7 and 25 on route #5 will be closed during the Navajo Road and Hopi Drive intersection closure, riders have been informed to use stops 2 and 26 instead.

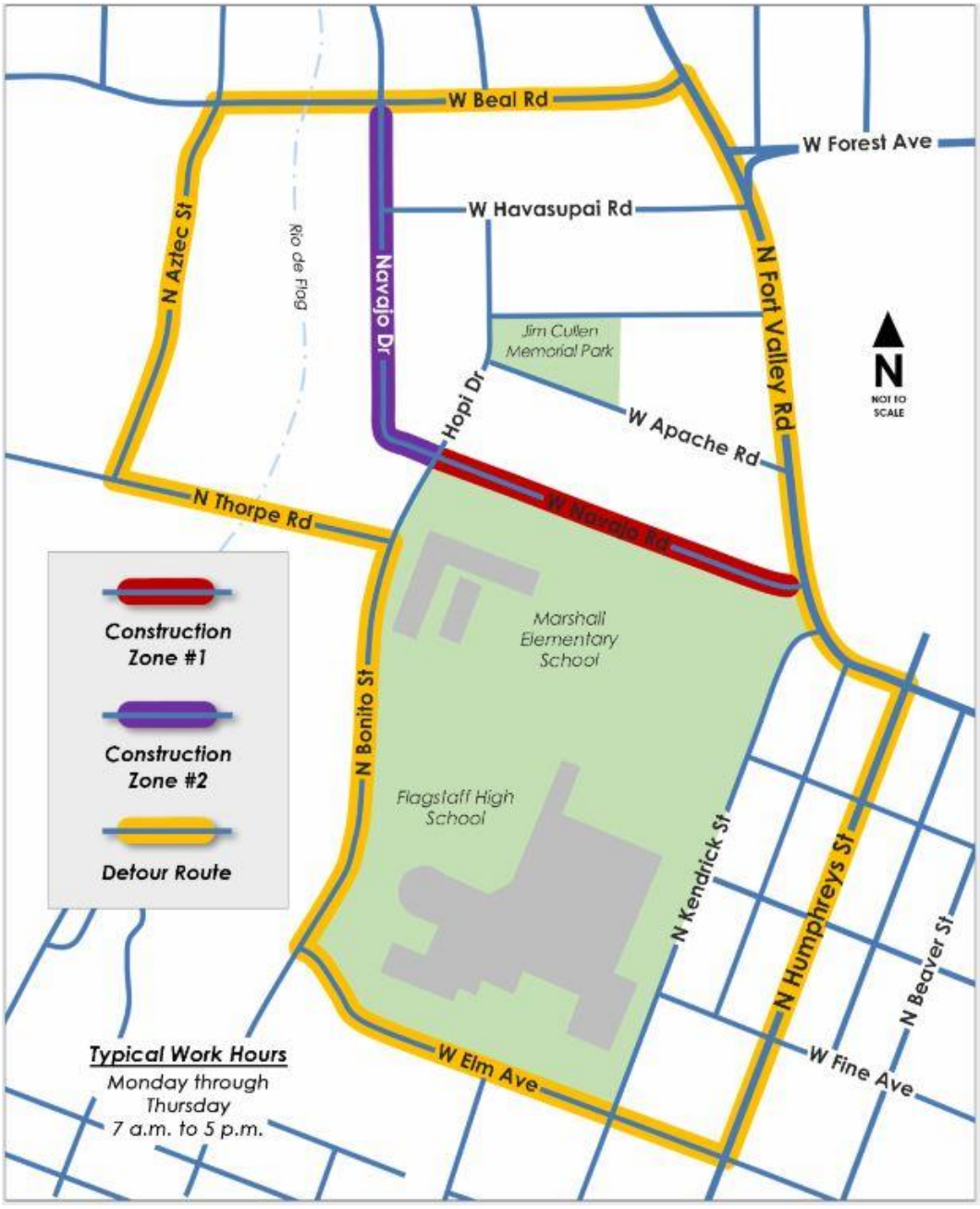
Spruce Trees at 510 W. Beal Road

- Staff will be working with the contractor and a arborist in early November to ascertain ability to save one of the mature spruce trees on the north side of Beal Road adjacent to US180 (Ft. Valley Road).

Phase I North

- Consideration of approval of Amendment One to the Construction Manager At Risk Construction Services Agreement will be presented to Council at their November 17th meeting.

New curb/gutter, sidewalk, and driveways, with roadway demolition and subgrade prep, looking east on Navajo Road



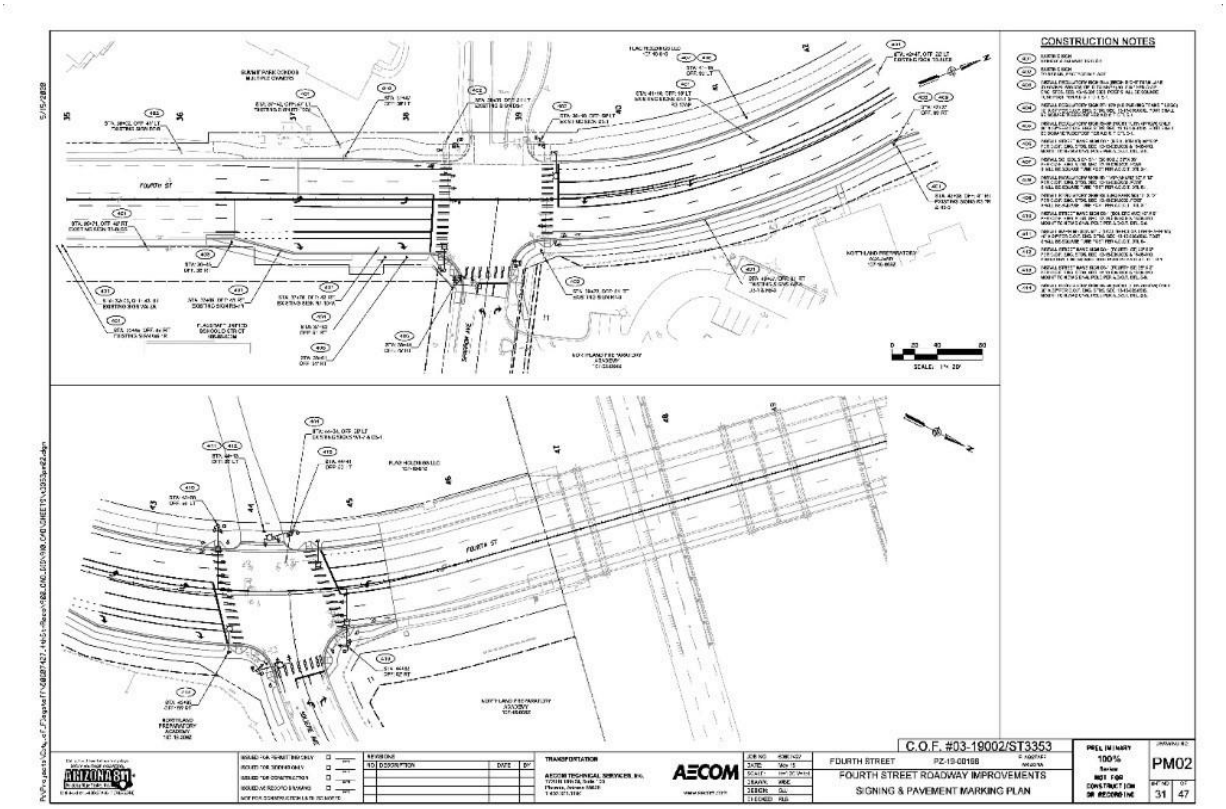
Current road closures and detours

Fourth Street Reconstruction (DESIGN PHASE)
FUND: TRANSPORTATION TAX (RENEWED TAX)

Description – The project is on Fourth Street from the Soliere Avenue intersection, southerly to just past the Sparrow Avenue intersection. The work will construct a new pavement section with two northbound and two southbound lanes and a center turn lane, northbound dedicated right turn lanes from Fourth Street onto Sparrow Ave. and onto Soliere Avenue, new streetlights, new traffic signals at Soliere Avenue, new fire hydrants, new 12" water main and new 8" water main, curb and gutter and new sidewalk. The reconstruction work will connect with the bridge replacement project.

Project Update:

- Final plans have been approved.
- Project will be advertised in Fall 2020 with construction start in early 2021.
- Council consideration of contract award is anticipated at the December 15th Council Meeting.



Fourth Street Reconstruction Overview Plan

East Route 66 and El Paso Flagstaff Waterline Extension (DESIGN PHASE)

FUND: AGING INFRASTRUCTURE

Description – A utility improvements project that extends the 12" ductile iron waterline approximately 2,**450** linear feet from the intersection of Test Dr. and Rt. 66 to the intersection of El Paso Flagstaff Rd. The waterline extension continues up El Paso Flagstaff Rd towards the Wildcat Treatment plant with approximately 1,600 linear feet of 8" ductile iron waterline. The project also calls for a repave of El Paso Flagstaff Rd. for the extents of the waterline extension.

Project Update:

- Capital Staff is working with the Real Estate Manager to secure easements for the new waterline.
- A Professional Services contract was approved with SWI on 4/22.
- Civil Plans are under review and should be completed by early October.
- Plans are being coordinated with the proposed Industrial Park to the east, a private development, to provide them water access and to mitigate future pavement cuts into the new road.
- Tentative construction schedule is to construct the waterline extension along Rt. 66 and El Paso Flagstaff Road during winter of 2020/2021 followed by paving of El Paso Flagstaff Road in the Spring of 2021.

Intersection of Rt. 66 and El Paso Flagstaff Road
looking north towards the Wildcat plant where the waterline will extend to

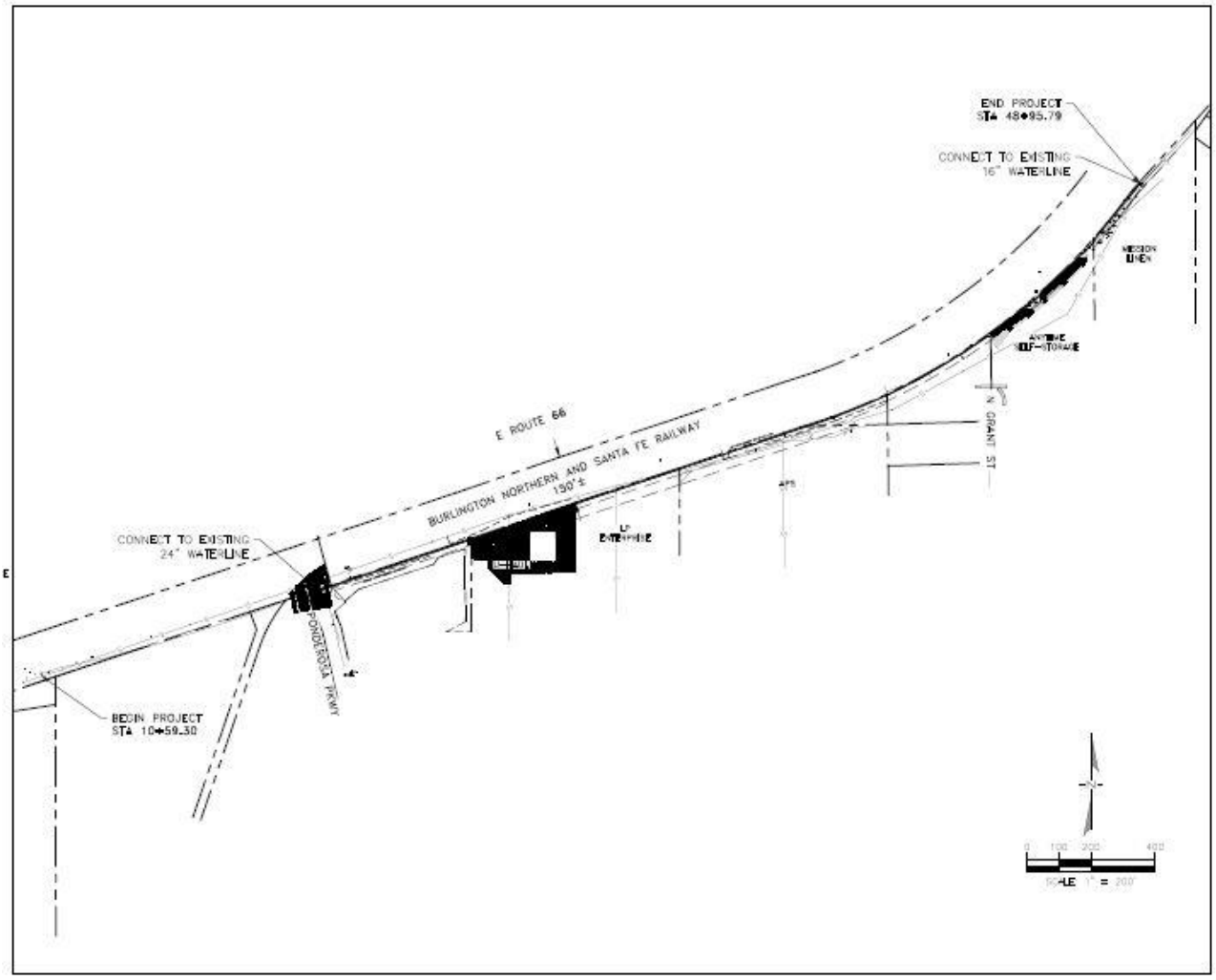
Huntington Waterline Replacement (DESIGN PHASE)

FUND: AGING INFRASTRUCTURE

Description - The Project consists of installing 3,000 LF of new 16" DIP, and associated roadway improvements. Included in the project will be new water services, fire hydrants and Air Release Valves. The existing waterline in this area is over 60 years old. This project is part of the City's ongoing aging water infrastructure replacement program.

Project Update:

- Plans have received approval to construct from ADEQ
- Plans are being routed for final approval with the City
- The bid package is being compiled for advertising
- Current working schedule has a proposed start of construction in late February of 2021



Vicinity Map of improvements

<u>Switzer Canyon Transmission Main Phase IV & V</u> (Design Phase)

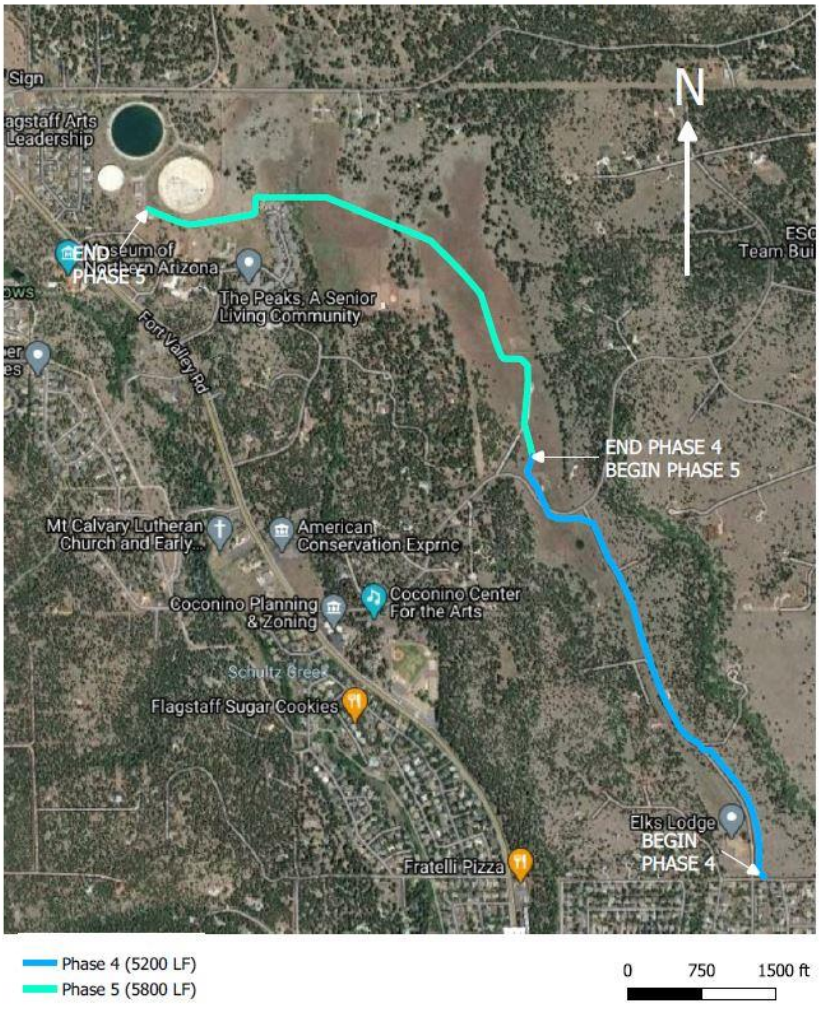
FUND: AGING INFRASTRUCTURE

Description – The Project consist of installing two new transmission mains, 24" and 16", that will complete the distribution system, zone A and B, from the Downtown area to the City Reservoirs near Cheshire. The length of Phase IV and V is approximately 11,000 feet. The project is within City limits and the urban distribution service area within the County. Included in the project will be the two water mains with appurtenances, new bundled water meter/service locations and fire hydrants.

Project Update:

- Phase IV is at a 60% design phase with the consultant.
- Property acquisition is underway with legal descriptions, environmental clearances and site assessments.
- Phase V is in the planning phase to define the final alignment.
- Construction of Phase IV is anticipated for 2021
- Construction of Phase V is anticipated for 2022

FIGURE 1 - SWITZER CANYON WATER LINE
PHASE IV & V CURRENT ALIGNMENT



Fir Avenue Waterline Replacement (CONSTRUCTION PHASE)

FUND: AGING INFRASTRUCTURE

Description - The Project consists of installing 3,000 feet of new 8"" DIP, 100 feet of new 6" DIP and associated roadway improvements. Included in the project will be new water services, fire hydrants and Air Release Valves. The project is in the Mount Elden Park Subdivision, north of Flagstaff Medical Center. The project is approximately three blocks of Fir Avenue and one block of Mesa Avenue.

Project Update:

- Asphalt pavement was placed in the trench patches for 1/3 of the project limits.
- New water service lines were connected to existing meters for the entire project.
- Project restoration measures have started for the project limits.
- Notices of water shutdowns have been distributed per the City's approved protocol.
- New infrastructure will reduce failures of the existing water system resulting in flooding of private properties downstream of Fir Avenue and Mesa Drive.
- New infrastructure will also reduce the costly operation and maintenance of the existing water system by minimizing breaks and material failures.

Project restoration in the natural area between Mesa and Fir

Industrial Waterline Replacement (CONSTRUCTION PHASE)

FUND: AGING INFRASTRUCTURE

Description - A utility improvements project on E. Industrial Drive from approximately Steves Boulevard to N. Caden Court. The improvements consist of replacing approximately 2,050 feet of 16" ductile iron waterline pipe, associated paving for the waterline trench, removal and replacement of curb, gutter and valley gutter. The existing waterline in this area is over 60 years old. This project is part of the City's ongoing aging water infrastructure replacement program.

Project Update:

- The waterline system was pressure tested with passing results this week.
- The waterline system will be chlorinated for disinfection end of week and then paving will commence early next week, 10/12.
- Traffic control is in place with a south lane shift on Industrial Dr. from Caden Court to Walgreens St.

Crews installing last legs of new waterline before the tie ins at the intersection., Industrial Dr., looking East

Summit Waterline Replacement (CONSTRUCTION PHASE)

FUND: AGING INFRASTRUCTURE

Description - Approximately 3,300 ft of new waterline, water services, fire hydrants, and pavement reconstruction. The City intends to replace the water infrastructure and pavement on: S. Walnut Street from Santa Fe Avenue to Coconino Avenue; S. Sycamore Street from Santa Fe Avenue to Grand Canyon Avenue; S. Spring Street from Montvale Avenue to Grand Canyon Avenue; W. Summit Avenue from Santa Fe Avenue to end; and W. Santa Fe Avenue from Walnut Street to Thorpe Road. Waterline only will be installed on W. Montvale Avenue from Santa Fe Avenue, to end. The existing waterlines in this area range from 58 to more than 90 years old. This project is part of the City's ongoing aging water infrastructure replacement program.

Project Update:

- Water tie-ins on Walnut St., Sycamore St. and Summit Ave. completed.
- Pavement removal underway on Walnut St. and Sycamore St.
- Waterline work has begun on Santa Fe Ave.
- Select replacement of sidewalk panels and curb and gutter.
- Construction yard is set up on Coconino Avenue and sharing the overall space with the Humphreys Street ADOT project.

Summit Water Project-Pavement removal on Walnut Street

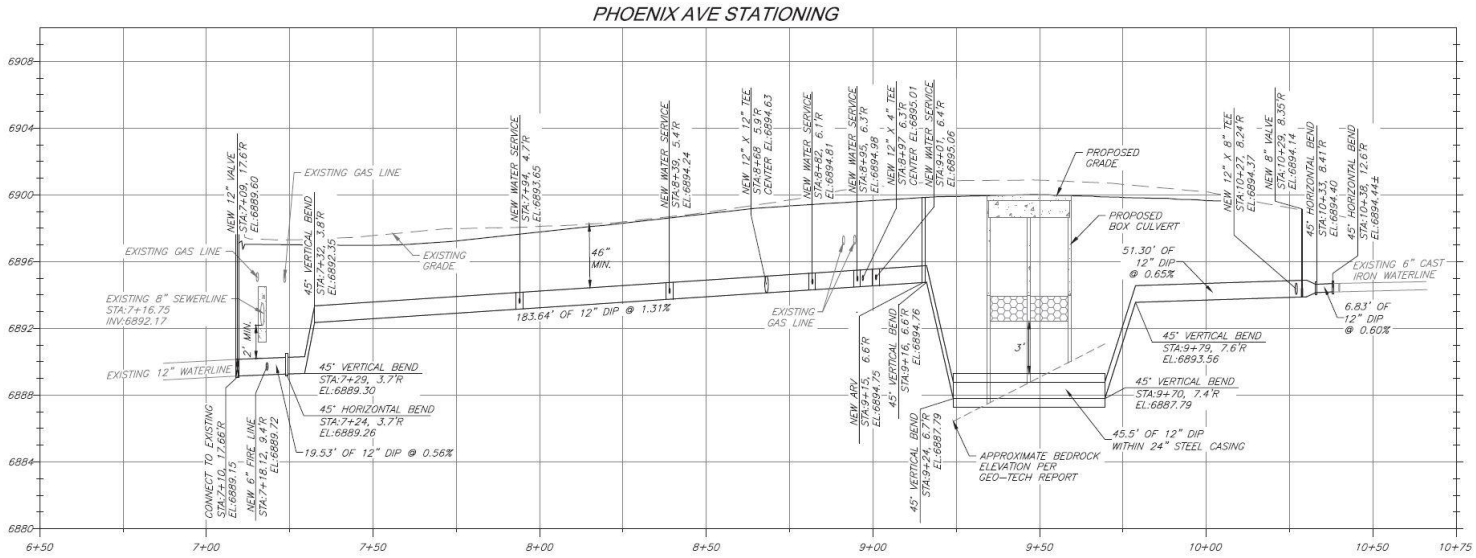
Phoenix Avenue Culvert and Waterline Replacement (DESIGN PHASE)

FUND: STORMWATER & AGING INFRASTRUCTURE

Description - The project will replace the Rio de Flag box culvert (which runs beneath Phoenix Avenue and the Zani building) with the appropriate conveyance structure and will update a 12" water main in Phoenix Avenue from Mikes Pike to Beaver Street. Phoenix Avenue will be reprofiled, roadway surface drainage issues will be addressed, edge improvements will be made as needed and the roadway will be repaved. The existing waterline in this area is over 114 years old. This project is part of the City's ongoing aging water infrastructure replacement program.

Project Update

- First review of the Civil Plans has been completed and sent back to the design engineer for revisions.
- A meeting was held in late September with city staff and the consulting Structural Engineer to discuss plans for rehabilitating the beam under Zani.
- A meeting was held in Late September with city staff and the design engineer to discuss strategy on construction logistics to mitigate impacts to businesses in the area.
- The 90% plans have been submitted for city review.
- The working schedule has bid solicitation in mid to late December 2020.
- Construction would be targeted to begin in early Spring of 2021.



Cross section of Phoenix Ave. showing new 12" DIP waterline and box culvert

Rio de Flag Flood Control Project (DESIGN PHASE)

FUND: STORMWATER & AGING INFRASTRUCTURE

Description - Design consists of channel improvements along both the Rio de Flag and Clay Avenue Wash channels, and the construction of an underground concrete confluence structure. The channelization of Clay Avenue Wash channel will begin at an upstream inlet structure transitioning into an open rectangular concrete channel and then transitioning into an underground reinforced concrete box channel ending at the confluence on Clay Avenue Wash and Rio de Flag, approximately 5,000 feet. The channelization of the Rio de Flag channel will begin at an upstream inlet structure transitioning into an underground reinforced concrete box channel with an open earthen channel above (composite channel) and then transitioning into the underground confluence structure. From the confluence structure, the Rio de Flag channel will be rerouted out of the Southside, along the BNSF railroad tracks, then transitioning into an open trapezoidal channel with riprap placed on invert and side slopes. Work includes widening and deepening by large scale excavation, grading, and compacted fill; disposal of excess excavated material; installing over 1 mile of underground reinforced concrete box channel, riprap slope protection, critical underground concrete confluence hydraulic structure, drainage culverts, many utility relocations, landscaping & mitigation planting, asphalt concrete paving, access ramps, safety railing and appurtenant work. Construction methods will include hard rock excavation during grading and utility excavation, groundwater dewatering, shoring, environmental cleanup & disposal and cut slope & trench stabilization.

Project Update:

100% plans status -Phase I & Phase II

- The City and consultant submitted for water and wastewater permits to construct through ADEQ. Review Fees for water is $900 and wastewater is $25,000.
- Working to complete photo simulations for the Flood Wall, Composite Channel, Open Channel (Clay Wash) and Open Channel (Lower Reach). Consultant has delivered the Flood Wall and Composite Channel and we are very pleased with the results and feel strongly that this effort will help the community better understand what the proposed improvements will look like when completed.

Property acquisition status -Phase I

- The City's consultant (Shephard Wesnitzer, Inc.) continues to work on the exhibits for property encumbrances. All the Phase I exhibits for the Lower have been completed. The Phase I exhibits for the Clay Avenue reach are nearly complete.

BNSF Issues

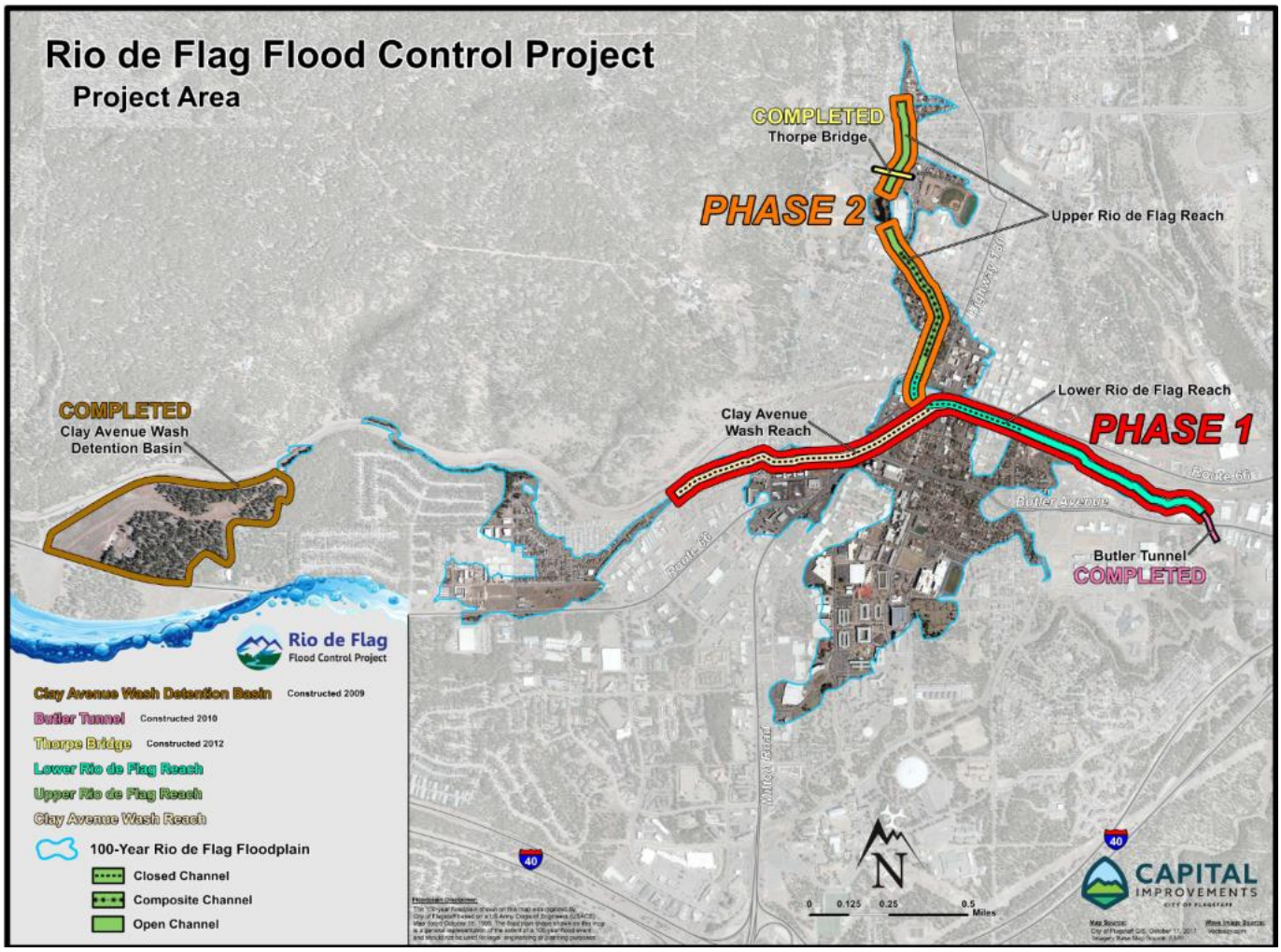
- City staff has made inquiries to BNSF's Property Consultant for utilities that need relocation for the project.
- Technical Team Meeting including US Army Corps of Engineers, BNSF Railway and city staff was held on October 6th.
    - COL Julie Balten indicated a deadline to be under construction by September 2021 and directed that we proceed with the Tunneling Option (In-Line Bridge was the other option requiring track windows from BNSF).
    - BNSF indicated required mitigation measures associated with property acquisition and construction to include; Tunneling operations to provide track monitoring (1/4" maximum settlement) and resurfacing equipment; One leg on Wye in operation at all times; Relocation of a spur; Adequate compensation for land; Replacement of property for lessees; Replacement of other BNSF improvements that are impacted; Construction of a new siding track (somewhere in the city limits); Land and permits for siding and future 3rd Mainline Track; Relocation of all utility

crossings and; Funded action plan by city for improvements to prevent grade crossing accidents and trespassers.

Internal & external meetings

- Staff held the weekly meetings for daily issues related to the project.
- Weekly coordination meetings with SWI are ongoing.
- Provided a Council Update on September 15th.
- Staff will be preparing for our next Council Update on October 27th.
- On October 1st, held a neighborhood meeting with residents impacted by the Flood Wall. The meeting was well attended, and residents were able to meet with our surveyors to see exactly how tall the Flood Wall will be behind their backyard fences. The meeting was well attended, we provided copies of the Flood Wall photo simulations to all in attendance and were able to directly answer many questions.

Aspen Avenue in vicinity of City Hall & Library


Rio de Flag Flood Control Project
Project Area
COMPLETED
Thorpe Bridge
PHASE 2
Upper Rio de Flag Reach
COMPLETED
Clay Avenue Wash
Detention Basin
Clay Avenue
Wash Reach
Lower Rio de Flag Reach
PHASE 1
Butler Tunnel
COMPLETED
Rio de Flag
Flood Control Project
Clay Avenue Wash Detention Basin Constructed 2009
Butler Tunnel Constructed 2010
Thorpe Bridge Constructed 2012
Lower Rio de Flag Reach
Upper Rio de Flag Reach
Clay Avenue Wash Reach
100-Year Rio de Flag Floodplain
Closed Channel
Composite Channel
Open Channel
0 0.125 0.25 0.5 Miles
CAPITAL IMPROVEMENTS

16. A.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To:	The Honorable Mayor and Council
From:	Shannon Anderson, Deputy City Manager
Date:	10/15/2020
Meeting Date:	10/20/2020

TITLE

Community Partner and City staff updates on COVID-19

STAFF RECOMMENDED ACTION:

Community partners and City staff will provide COVID-19 Updates to City Council

EXECUTIVE SUMMARY:

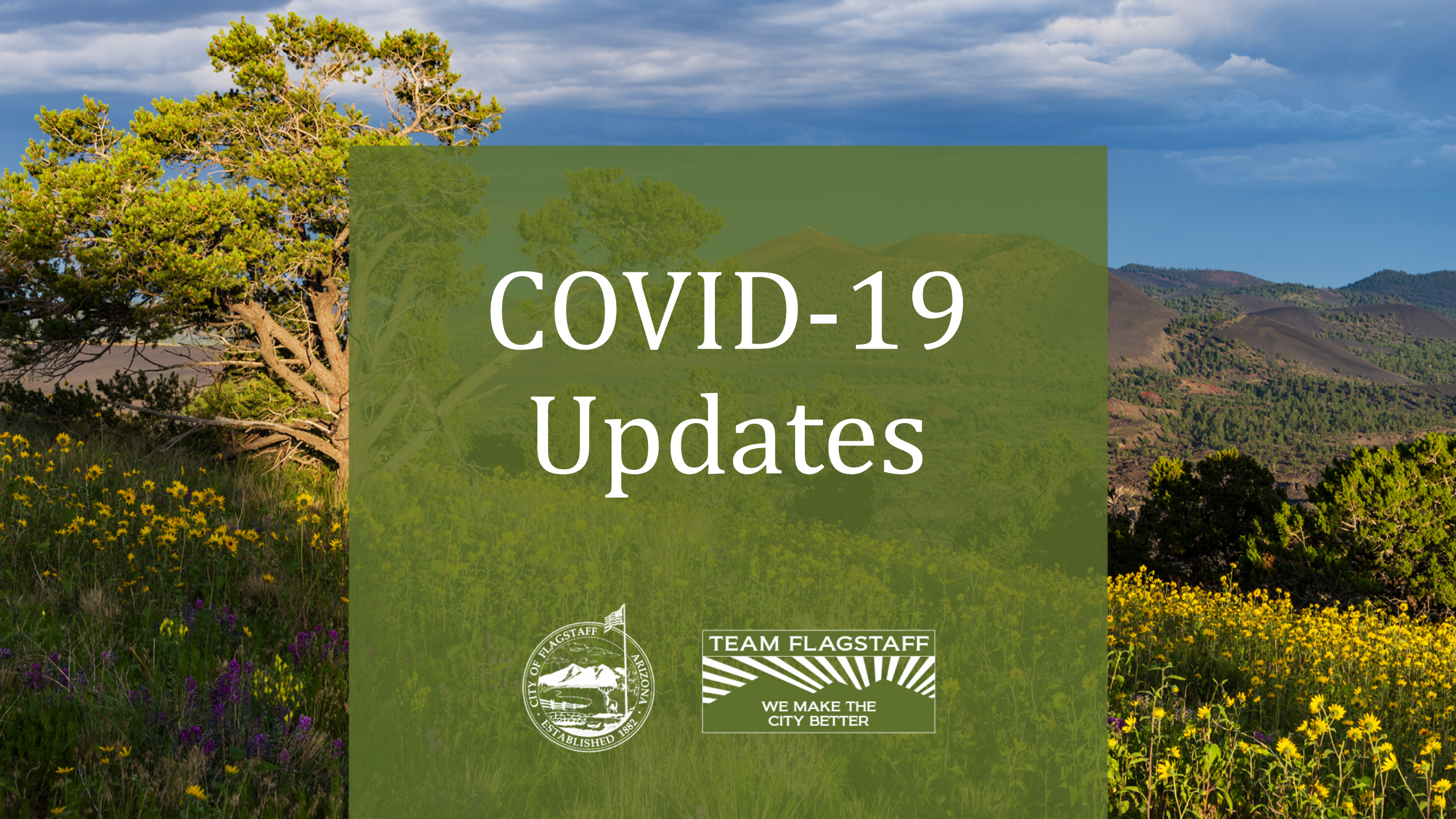
Council will have an opportunity to hear from Community Partners on how they are doing in addressing operations during the COVID-19 pandemic.

City staff will present the most recent dashboards from Coconino County Health and Human Services, Arizona Department of Health Services, and Northern Arizona Healthcare to continue monitoring the transmission trends and capacity of the healthcare system.

INFORMATION:

The City Council evaluated the monitoring criteria included in the City's Re-Entry Plan during the City Council meeting on August 18, 2020. This evaluation and discussion led to a majority of City Council voting to move from Phase 2 to Phase 3. The City continues in Phase 3 of the Re-Entry Plan. Some City facilities are open in limited capacity such as City Hall, Downtown Library, East Side Library and Jay Lively Ice Arena.

Attachments: Presentation
NAU Presentation


COVID-19
Updates
CITY OF FLAGSTAFF
ARIZONA
ESTABLISHED 1882
TEAM FLAGSTAFF
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Agenda

- Updates from Community Partner
- The Data
  - Coconino County Health and Human Services (CCHHS) dashboard
  - Arizona Department of Health Services (ADHS) business operations dashboard
  - Northern Arizona Healthcare (NAH) hospital census
- Halloween Drive Thru

Updates from Community Partners

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The Data

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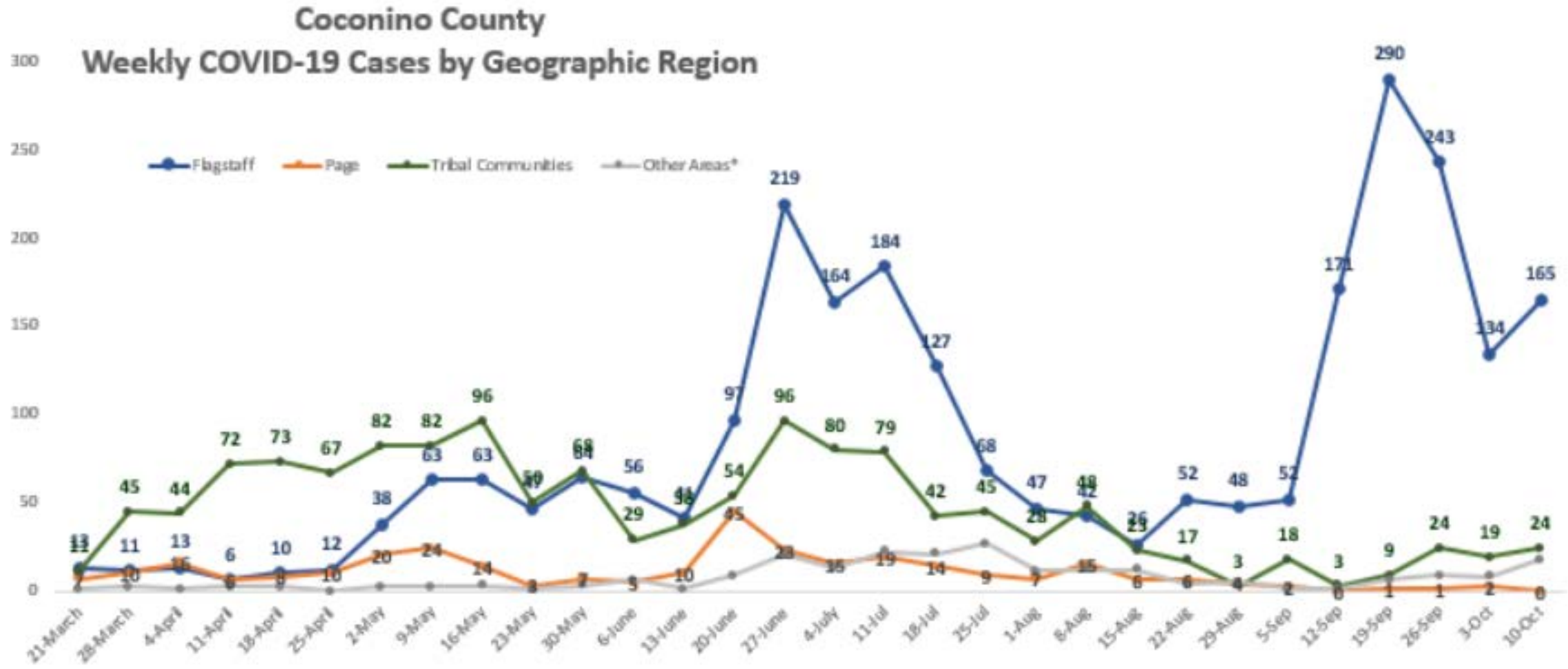
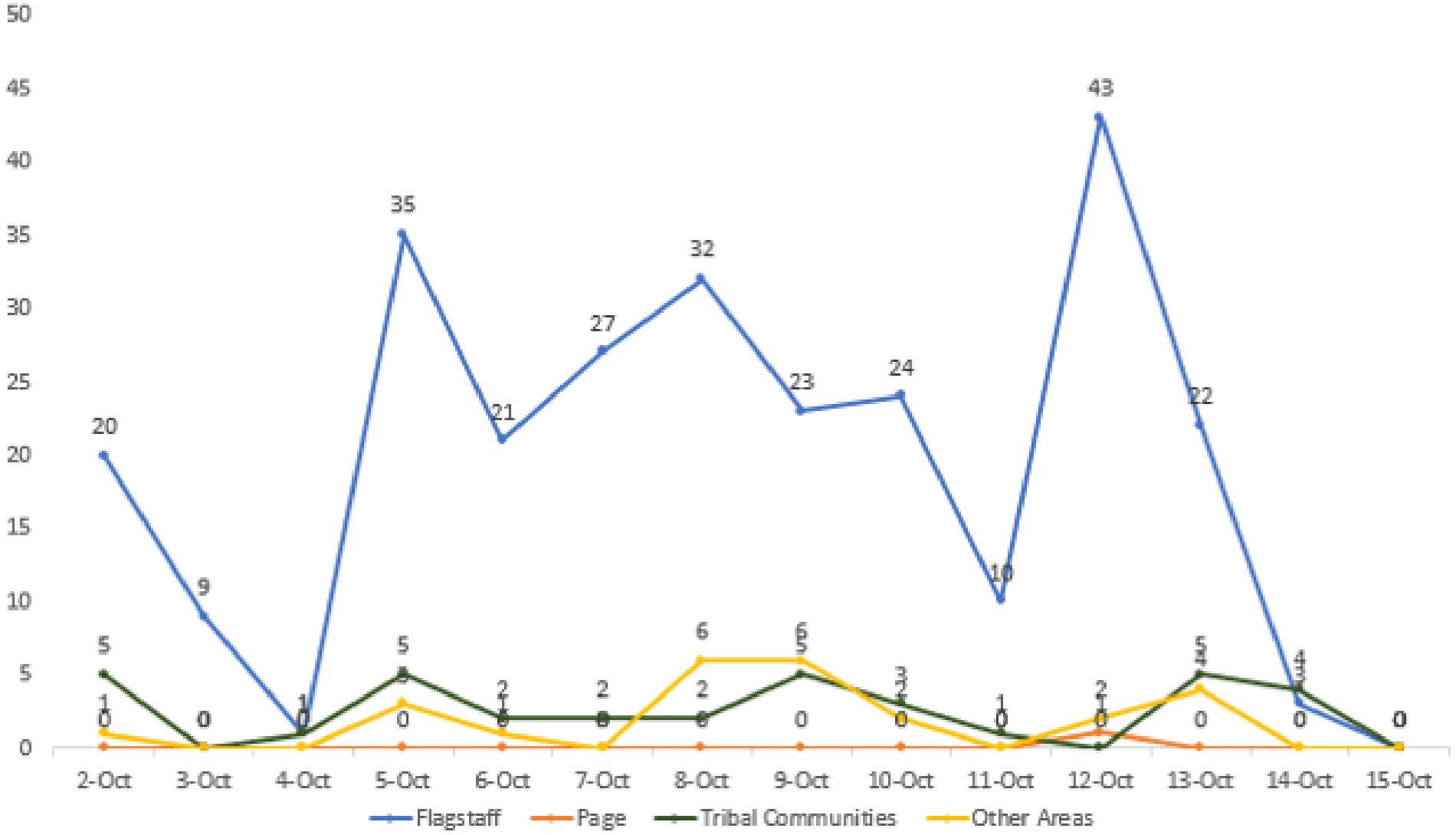
CCHHS: COVID-19 Weekly Cases

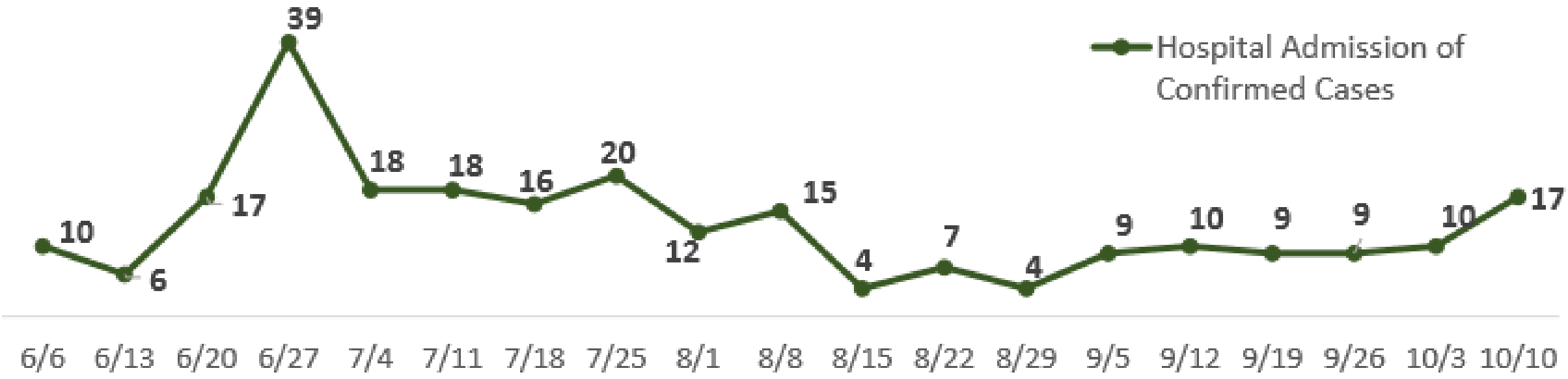


CCHHS: COVID-19 Daily Cases



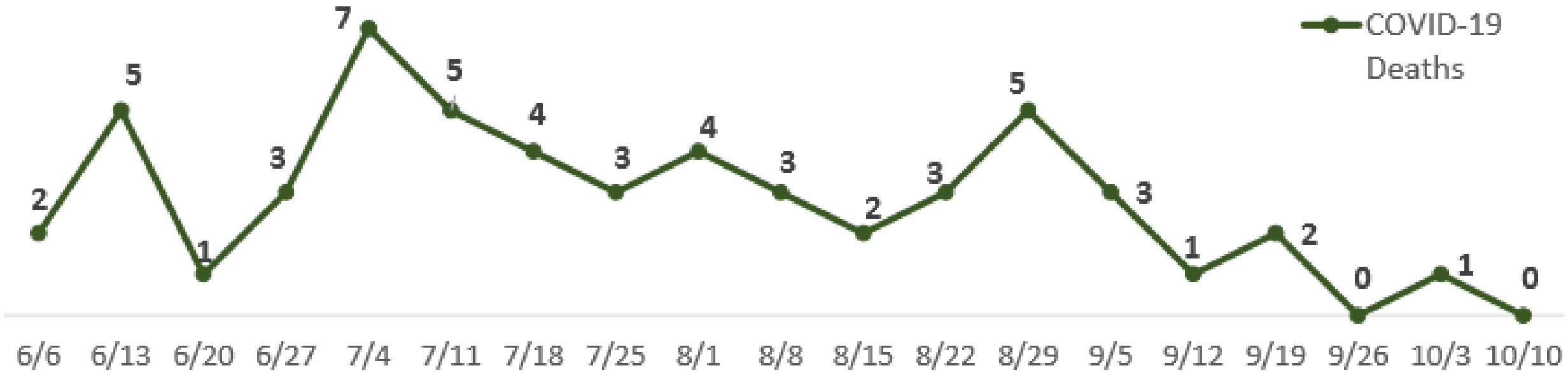
CCHHS: Hospital Admissions

Weekly Case Counts Among Coconino County Residents:



CCHHS: COVID-19 Related Deaths

Weekly COVID-19 Deaths Among Coconino County Residents:



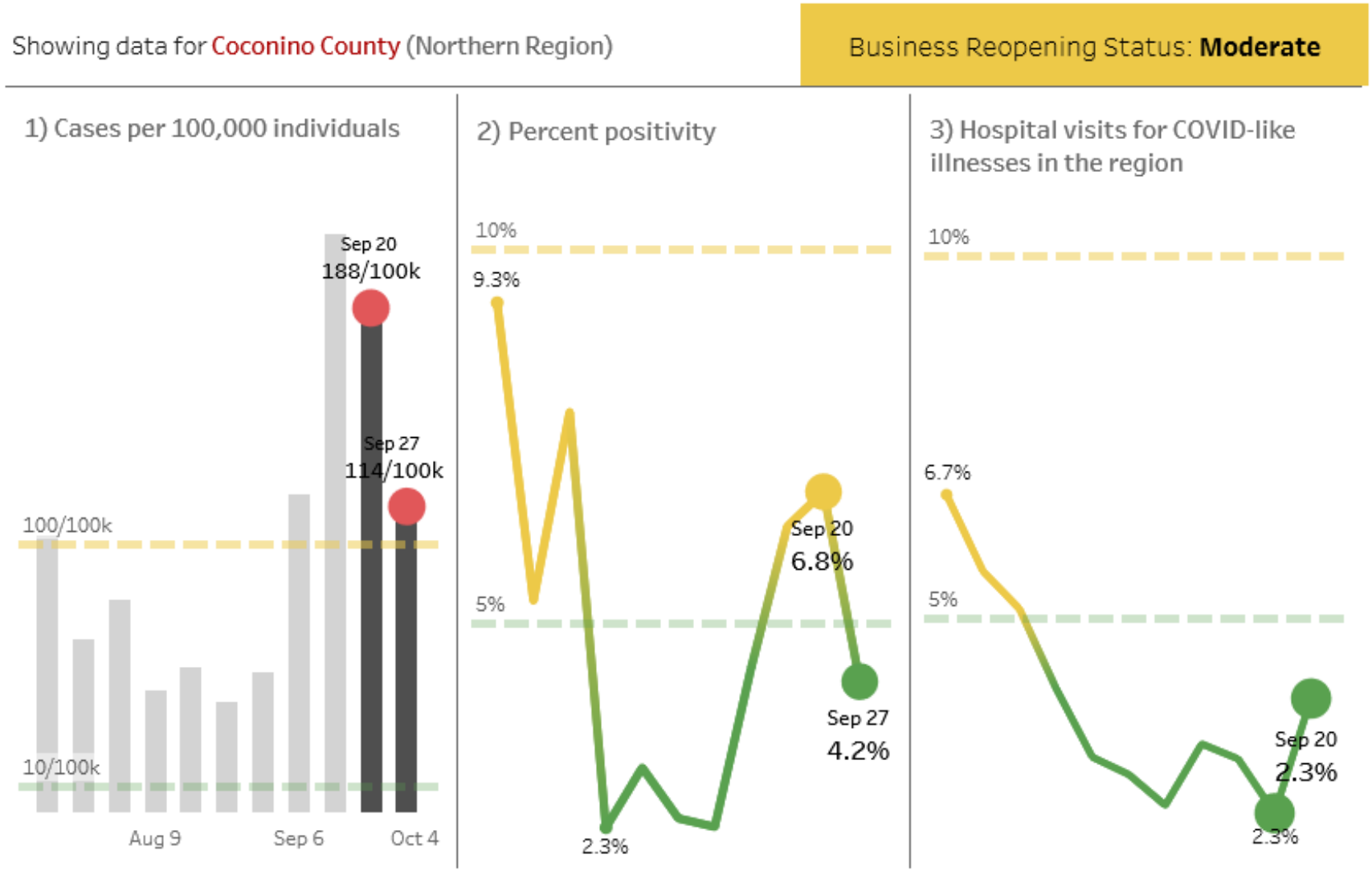
CCHHS: Community Transmission

Community Transmission

- Coconino County has a current **incidence rate** of **137.5 per 100,000**, **percent positivity** of **4.7%***, and **COVID-19-Like-Illness incidence (CLI)** of **3.9%****.
- Coconino County is currently at a **moderate** level of community transmission.

Benchmarks	Minimal	Moderate	Substantial
Cases	<10 cases/100,000	10-100 cases/100,000	**>100 cases/100,000**
Percent Positivity	**<5%**	5-10%	>10%
COVID-19-Like-Illness	**<5%**	5-10%	>10%

ADHS Dashboard

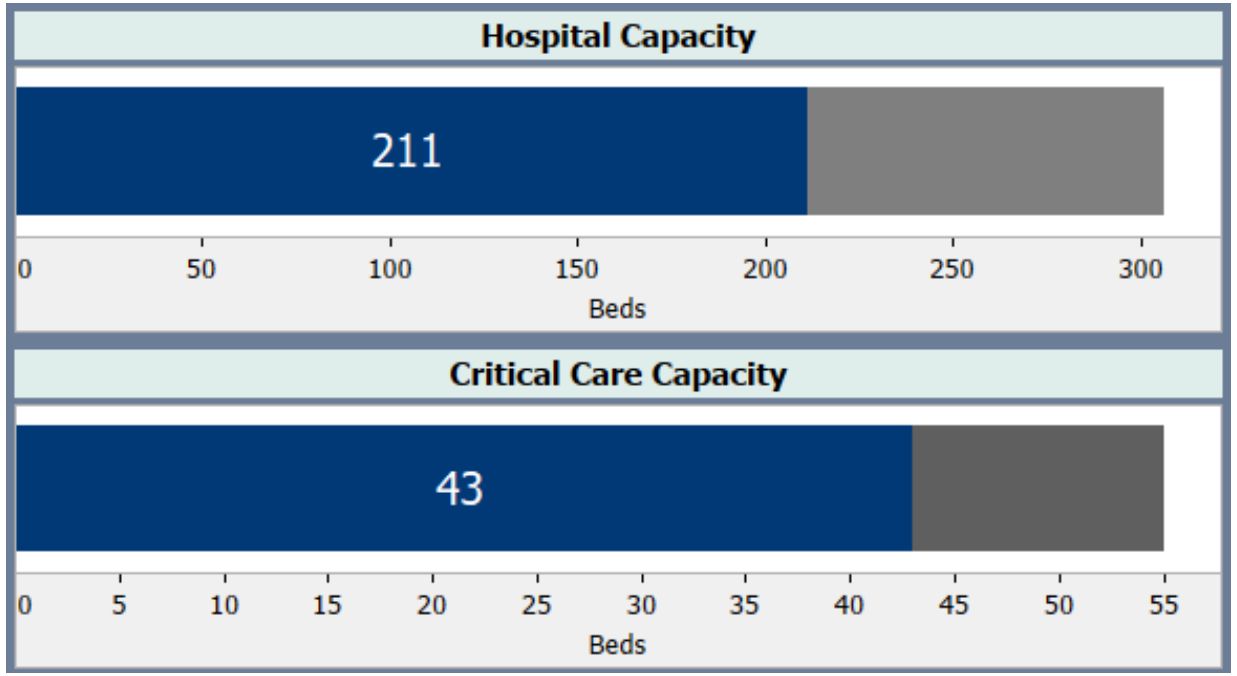


Data as of September 27, 2020

NAH: Hospital Census

Flagstaff Medical Center Hospital Census
211

In House COVID-19 Patients	
Positive	Pending
14	15



Halloween Drive Thru

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Halloween Drive Thru

- Safe Halloween alternative
- City staff in masks and gloves with physical distancing
- City Hall parking lot drive thru Haunted House
- Recreation Center parking lots for drive thru treats

Council Questions

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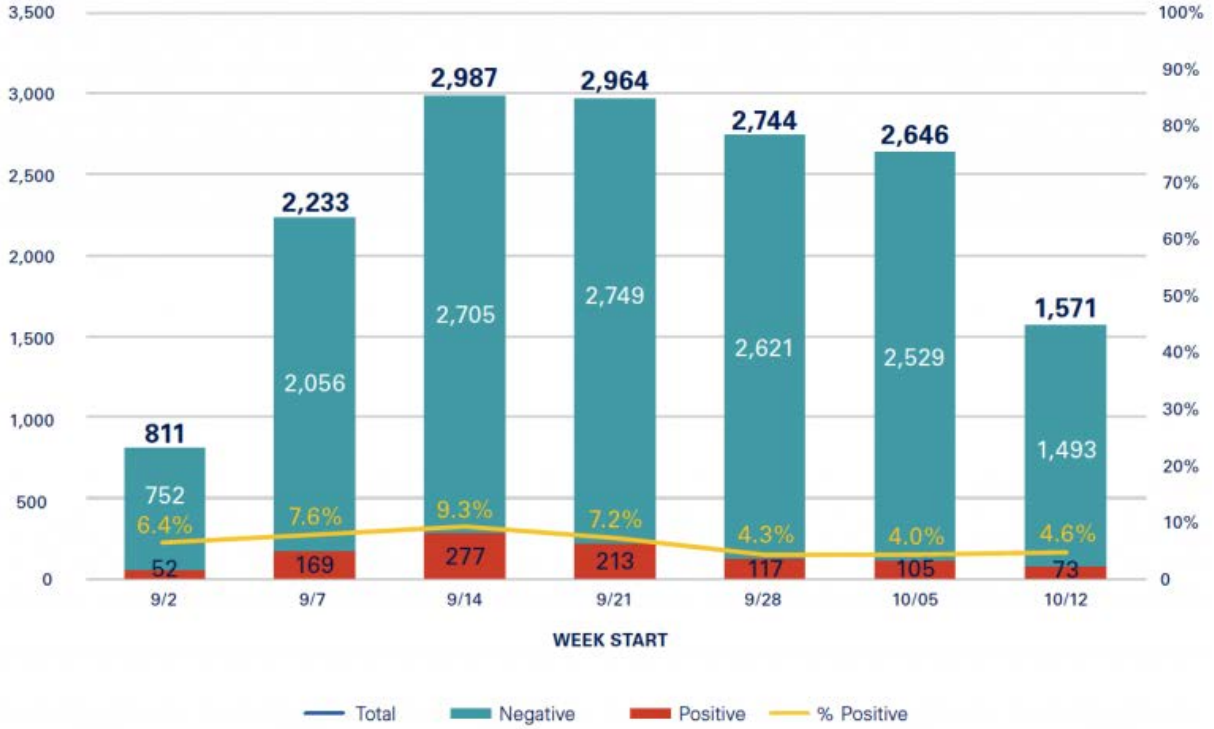
NAU COVID-19 Update

October 20, 2020

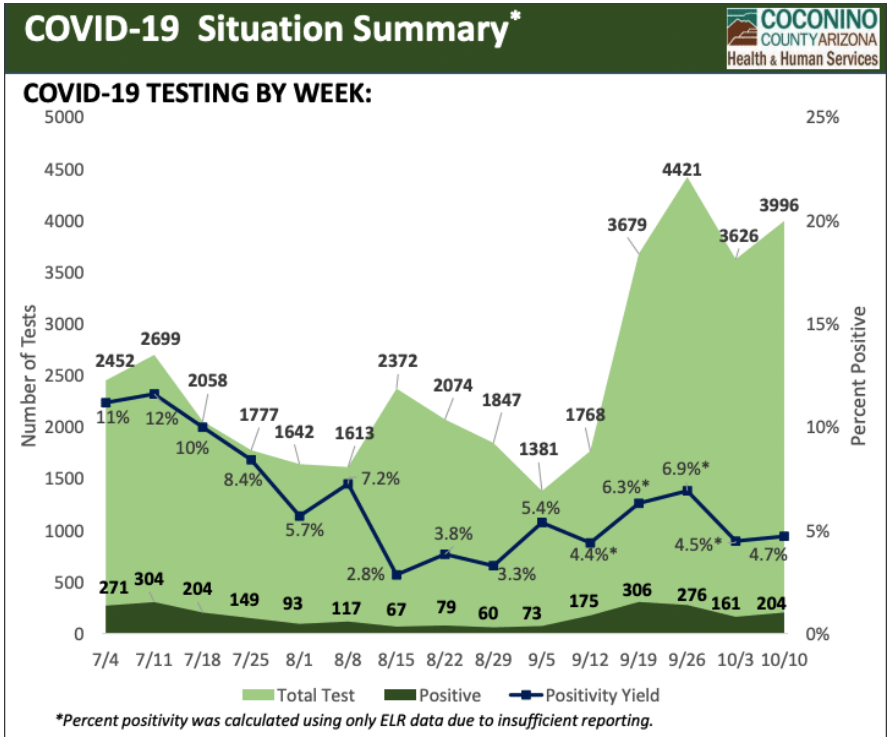
NAU NORTHERN ARIZONA UNIVERSITY

COVID-19 TESTING AND RESULTS

Weekly results received from NAU-administered testing site tests as of 12:00pm on 10/16/2020



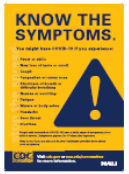
COCONINO COUNTY TESTING



Coconino County testing updated 10/16/2020

CAMPUS SIGNAGE

A - Symptoms of COVID-19



B1 - Elevator

B2 - Elevator Floor Cling

C1 - Stairs

C2 - Stairs Floor Cling

D - Social Distance

E1 - Space Yourself Navy Floor Cling

E2 - Space Yourself Gold Floor Cling

F - Conference & Break Rooms

G - Classroom Capacity

H - Cleaning

I - Table Tent

J - Furniture Decal

K1 - Entry Combo (A,D,H)

K2 - Entry Combo Hero (A,D,H)

K3 - Combo Sign Stand

L1 - Hand Washing

L2 - Hand Washing How To

M - Masks

O - Classroom Combo (D,G,H,M)

P- Occupancy Sign