INSIGHT ENTERPRISES INC
Form 10-Q
November 04, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended: September 30, 2010

OR

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

For the transition period from __________ to __________

Commission File Number: 0-25092

INSIGHT ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**86-0766246**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

6820 South Harl Avenue, Tempe, Arizona 85283

(Address of principal executive offices) (Zip Code)

(480) 902-1001

(Registrant s telephone number, including area code)

(Former name, former address and fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

Indicate by a checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date 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 o No o

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 definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

The number of shares outstanding of the issuer s common stock as of October 29, 2010 was 46,274,027.

INSIGHT ENTERPRISES, INC.
QUARTERLY REPORT ON FORM 10-Q
Three Months Ended September 30, 2010
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INSIGHT ENTERPRISES, INC.
FORWARD-LOOKING INFORMATION

Certain statements in this Quarterly Report on Form 10-Q, including statements in Management s Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2 of this report, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include: projections of matters that affect net sales, gross profit, operating expenses, earnings from continuing operations, non-operating income and expenses, net earnings or cash flows, cash needs and the sufficiency of our capital resources and the payment of debt balances and accrued expenses and liabilities; detail of our business strategy and our strategic initiatives; projections of capital expenditures and trade credit liability settlements and payments; plans relating to our products and services; the effect of new accounting principles or changes in accounting policies; the effect of and our exposure to guaranty and indemnification obligations and other off-balance sheet arrangements; projections about the outcome of ongoing tax audits; statements related to accounting estimates, including estimated stock-based compensation award forfeitures and the realization of deferred tax assets; the timing of amortization of stock-based compensation expense and the payment of accrued severance and restructuring costs; projections of compliance with debt covenants; our intentions to reinvest undistributed earnings of foreign subsidiaries; our intentions concerning our use of cash generated from operations and the payment of dividends; our positions and strategies with respect to ongoing and threatened litigation, including those matters identified in Legal Proceedings in Part II, Item 1 of this report; statements of belief; and statements of assumptions underlying any of the foregoing. Forward-looking statements are identified by such words as believe, anticipate, expect, estimate, intend plan, project, will, may and variations of such words and similar expressions, and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. There can be no assurances that the results discussed in the forward-looking statements will be achieved, and actual results could differ materially from those suggested by the forward-looking statements. Some of the important factors that could cause our actual results to differ materially from those projected in any forward-looking statements include, but are not limited to, the following:

- our reliance on partners for product availability, marketing funds, purchasing incentives and competitive products to sell;
- changes in the information technology industry and/or rapid changes in product standards;
- general economic conditions, including concerns regarding our ability to collect our accounts receivable and credit constraints;
- disruptions in our information technology systems and voice and data networks, including our system upgrade and the migration of acquired businesses to our information technology systems and voice and data networks;
- actions of our competitors, including manufacturers and publishers of products we sell;
- stockholder litigation and regulatory proceedings related to the restatement of our consolidated financial statements;
- the integration and operation of acquired businesses, including our ability to achieve expected benefits of the acquisitions;
- the variability and seasonality of our net sales and gross profit;
- the risks associated with international operations;
- exposure to changes in, or interpretations of, tax rules and regulations;
- exposure to foreign currency exchange risks;
- changes in the overall capital markets that could increase our borrowing costs or reduce future availability of financing;
- failure to comply with the terms and conditions of our public sector contracts;
- our dependence on key personnel; and
- intellectual property infringement claims and challenges to our registered trademarks and trade names.

Additionally, there may be other risks that are otherwise described from time to time in the reports that we file with the Securities and Exchange Commission. Any forward-looking statements in this report should be considered in light of various important factors, including the risks and uncertainties listed above, as well as others. We assume no obligation to update, and do not intend to update, any forward-looking statements. We do not endorse any projections regarding future performance that may be made by third parties.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

INSIGHT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,764	$ 68,066
Accounts receivable, net of allowances for doubtful accounts of $17,242 and $22,364, respectively	839,645	998,770
Inventories	122,685	77,694
Inventories not available for sale	30,296	47,722
Deferred income taxes	27,220	35,750
Other current assets	39,580	32,318
Total current assets	1,153,190	1,260,320
Property and equipment, net of accumulated depreciation and amortization of $178,126 and $160,904, respectively	142,973	150,103
Goodwill	16,474	15,829
Intangible assets, net of accumulated amortization of $50,127 and $39,187, respectively	72,449	82,483
Deferred income taxes	73,950	78,489
Other assets	18,163	16,097
	$ 1,477,199	$ 1,603,321
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 563,327	$ 695,549
Accrued expenses and other current liabilities	158,667	212,276
Current portion of long-term debt	992	875
Deferred revenue	39,874	54,135
Total current liabilities	762,860	962,835
Long-term debt	166,370	149,349
Deferred income taxes	2,729	3,054
Other liabilities	25,319	20,509
	957,278	1,135,747
Commitments and contingencies		

Stockholders equity:				
Preferred stock, $0.01 par value, 3,000 shares authorized; no shares issued				
Common stock, $0.01 par value, 100,000 shares authorized; 46,271 shares at September 30, 2010 and 45,956 shares at December 31, 2009 issued and outstanding		463		460
Additional paid-in capital		375,920		372,021
Retained earnings		124,375		73,864
Accumulated other comprehensive income foreign currency translation adjustments		19,163		21,229
Total stockholders equity		519,921		467,574
	$	1,477,199	$	1,603,321

See accompanying notes to consolidated financial statements.

INSIGHT ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Net sales	$ 1,172,227	$ 969,935	$ 3,499,225	$ 2,958,257
Costs of goods sold	1,017,582	836,449	3,025,730	2,545,155
Gross profit	154,645	133,486	473,495	413,102
Operating expenses:				
Selling and administrative expenses	129,511	117,623	385,052	374,831
Severance and restructuring expenses	298	3,994	1,687	12,471
Earnings from operations	24,836	11,869	86,756	25,800
Non-operating (income) expense:				
Interest income	(161)	(45)	(467)	(333)
Interest expense	1,899	2,333	5,957	6,421
Net foreign currency exchange loss (gain)	130	93	743	(119)
Other expense, net	348	217	1,097	697
Earnings from continuing operations before income taxes	22,620	9,271	79,426	19,134
Income tax expense	8,188	1,999	28,915	5,766
Net earnings from continuing operations	14,432	7,272	50,511	13,368
Net earnings from a discontinued operation				2,801
Net earnings	$ 14,432	$ 7,272	$ 50,511	$ 16,169
Net earnings per share Basic:				
Net earnings from continuing operations	$ 0.31	$ 0.16	$ 1.09	$ 0.29
Net earnings from a discontinued operation				0.06
Net earnings per share	$ 0.31	$ 0.16	$ 1.09	$ 0.35
Net earnings per share Diluted:				
Net earnings from continuing operations	$ 0.31	$ 0.16	$ 1.08	$ 0.29
Net earnings from a discontinued operation				0.06
Net earnings per share	$ 0.31	$ 0.16	$ 1.08	$ 0.35
Shares used in per share calculations:				

Basic	46,268	45,875	46,193	45,812
Diluted	46,865	46,445	46,749	46,164

See accompanying notes to consolidated financial statements.

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INSIGHT ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2010	**2009***
Cash flows from operating activities:		
Net earnings	$ 50,511	$ 16,169
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	28,515	29,074
Provision for losses on accounts receivable	546	2,795
Write-downs of inventories	4,875	5,623
Non-cash stock-based compensation	5,139	7,974
Non-cash gain from arbitrated claim, net of tax		(2,801)
Excess tax benefit from employee gains on stock-based compensation	(912)	
Deferred income taxes	11,762	1,706
Changes in assets and liabilities:		
Decrease in accounts receivable	143,709	281,677
(Increase) decrease in inventories	(32,676)	12,836
(Increase) decrease in other current assets	(6,558)	615
(Increase) decrease in other assets	(1,557)	3,935
Decrease in accounts payable	(110,705)	(215,022)
(Decrease) increase in deferred revenue	(11,414)	9,409
Decrease in accrued expenses and other liabilities	(43,727)	(34,410)
Net cash provided by operating activities	37,508	119,580
Cash flows from investing activities:		
Acquisition of Calence, net of cash acquired	(5,123)	(12,834)
Purchases of property and equipment	(12,631)	(11,739)
Net cash used in investing activities	(17,754)	(24,573)
Cash flows from financing activities:		
Borrowings on senior revolving credit facility	910,136	833,373
Repayments on senior revolving credit facility	(892,636)	(905,873)
Borrowings on accounts receivable securitization financing facility	45,000	165,000
Repayments on accounts receivable securitization financing facility	(45,000)	(165,000)
Payments on capital lease obligation	(681)	(113)
Net repayments under inventory financing facility	(9,952)	(4,446)
Payment of deferred financing fees	(490)	(1,565)
Proceeds from sales of common stock under employee stock plans	49	
Excess tax benefit from employee gains on stock-based compensation	912	
Payment of payroll taxes on stock-based compensation through shares withheld	(1,260)	(463)

Net cash provided by (used in) financing activities		6,078		(79,087)
Foreign currency exchange effect on cash flows		(134)		3,873
Increase in cash and cash equivalents		25,698		19,793
Cash and cash equivalents at beginning of period		68,066		49,175
Cash and cash equivalents at end of period	$	93,764	$	68,968

* Certain amounts in the consolidated statement of cash flows for the nine months ended September 30, 2009 have been reclassified to conform to the presentation for the nine months ended September 30, 2010.

See accompanying notes to consolidated financial statements.

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INSIGHT ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation and Recently Issued Accounting Pronouncements

We are a leading provider of information technology (IT) hardware, software and services to small, medium and large businesses and public sector institutions in North America, Europe, the Middle East, Africa and Asia-Pacific. The Company is organized in the following three operating segments, which are primarily defined by their related geographies:

Operating Segment	Geography
North America	United States and Canada
EMEA	Europe, Middle East and Africa
APAC	Asia-Pacific

Currently, our offerings in North America and the United Kingdom include IT hardware, software and services. Our offerings in the remainder of our EMEA segment and in APAC are almost entirely software and select software-related services.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly our financial position as of September 30, 2010, our results of operations for the three and nine months ended September 30, 2010 and 2009 and our cash flows for the nine months ended September 30, 2010 and 2009. The consolidated balance sheet as of December 31, 2009 was derived from the audited consolidated balance sheet at such date. The accompanying unaudited consolidated financial statements and notes have been prepared in accordance with the rules and regulations promulgated by the Securities and Exchange Commission (SEC) and consequently do not include all of the disclosures normally required by United States generally accepted accounting principles (GAAP).

The results of operations for such interim periods are not necessarily indicative of results for the full year, due in part to the seasonal nature of the business. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including the related notes thereto, in our Annual Report on Form 10-K for the year ended December 31, 2009.

The preparation of consolidated financial statements in conformity with GAAP requires management to make 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. Additionally, these estimates and assumptions affect the reported amounts of net sales and expenses during the reported period. Actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to sales recognition, anticipated achievement levels under partner funding programs, assumptions related to stock-based compensation valuation, allowances for doubtful accounts, litigation-related obligations and contingencies, valuation allowances for deferred tax assets and impairment of long-lived assets, including purchased intangibles and goodwill, if indicators of potential impairment exist.

The consolidated financial statements include the accounts of Insight Enterprises, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. References to the Company, we, us, our and other similar words refer to Insight Enterprises, Inc. and its consolidated subsidiaries, unless the context suggests otherwise.

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INSIGHT ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

Reclassifications

We reclassified $4,686,000 of inventories in North America at December 31, 2009 to inventories not available for sale in the accompanying balance sheet as of December 31, 2009 to conform to the presentation at September 30, 2010. Consistent with our presentation as of December 31, 2009, included in our Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2009, we reclassified certain current asset and current liability amounts as of September 30, 2009 which affected the accompanying consolidated statement of cash flows for the nine months ended September 30, 2009 to conform to the presentation for the nine months ended September 30, 2010. Such reclassifications were required to conform presentation among all of our subsidiaries. Such reclassifications had no effect on previously reported net earnings or operating cash flow amounts. Consistent with our presentation for the year ended December 31, 2009, we revised the classification of the net increase in book overdrafts of $12,538,000 for the nine months ended September 30, 2009 from a financing activity to an operating activity in our consolidated statements of cash flows. We concluded this classification is preferable as our book overdrafts, which are not directly linked to a credit facility or other bank overdraft arrangement, do not result in an actual bank financing, but rather constitute normal unpaid trade payables at the end of a reporting period. The revision in classification had no effect on our consolidated balance sheet or reported net earnings in any period.

Recently Issued Accounting Pronouncements

There have been no material changes or additions to the recently issued accounting pronouncements as previously reported in Note 1 to our Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2009 which affect or may affect our financial statements.

2. Net Earnings from Continuing Operations Per Share (EPS)

Basic EPS is computed by dividing net earnings from continuing operations available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding stock options (using the treasury stock method) and restricted stock units. A reconciliation of the denominators of the basic and diluted EPS calculations follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Numerator:				
Net earnings from continuing operations	$ 14,432	$ 7,272	$ 50,511	$ 13,368
Denominator:				
Weighted average shares used to compute basic EPS	46,268	45,875	46,193	45,812
Dilutive potential common shares due to dilutive options and restricted stock units, net of tax effect	597	570	556	352
Weighted average shares used to compute diluted EPS	46,865	46,445	46,749	46,164
Net earnings from continuing operations per share:				
Basic	$ 0.31	$ 0.16	$ 1.09	$ 0.29

Diluted	$	0.31	$	0.16	$	1.08	$	0.29

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INSIGHT ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

The following weighted average outstanding stock options were not included in the diluted EPS calculations because the exercise prices of these options were greater than the average market price of our common stock during the respective periods (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Weighted-average outstanding stock options excluded from the diluted EPS calculation	258	1,425	383	1,851

3. Goodwill

During the nine months ended September 30, 2010, we recorded $645,000 of additional purchase price consideration and the related accrued interest thereon as a result of Calence, LLC (Calence), acquired April 1, 2008, achieving certain performance targets during the first quarter of 2010. The additional goodwill was recorded as part of our North America reporting unit. The final payment of $5,123,000 for additional purchase price consideration and the related accrued interest thereon was paid to the former owners of Calence on April 1, 2010.

4. Debt, Capital Lease Obligation and Inventory Financing Facility

Debt

Our long-term debt consists of the following (in thousands):

	September 30, 2010	December 31, 2009
Senior revolving credit facility	$ 164,500	$ 147,000
Accounts receivable securitization financing facility		
Capital lease obligation	2,862	3,224
Total	167,362	150,224
Less: current portion of obligation under capital lease	(992)	(875)
Less: current portion of revolving credit facilities		
Long-term debt	$ 166,370	$ 149,349

Our senior revolving credit facility has a maximum borrowing capacity of $300,000,000 and matures April 1, 2013. Our accounts receivable securitization financing facility (the ABS facility) has a maximum borrowing capacity of $150,000,000. While the ABS facility has a stated maximum amount, the actual availability under the ABS facility is limited by the quantity and quality of the underlying accounts receivable. As of September 30, 2010, availability under the ABS facility was $150,000,000.

On July 1, 2010, we entered into an amendment to the ABS facility, which amends certain provisions of the ABS facility to improve availability in the Borrowing Base, as defined in the ABS facility, but did not change the $150,000,000 maximum borrowing capacity. Specifically, the amendment (i) excludes from the Borrowing Base receivables of a specified obligor that had a negative impact on availability under the facility, (ii) creates a basket to allow up to 10% of gross receivables with terms between 60 and 90 days to be eligible for borrowing, and (iii) increases to 35% from 25% the threshold above which the total amount of a particular obligor s receivables are treated as ineligible if the percentage of such obligor s receivables that are more than 60 days past due exceeds such threshold. In addition, the amendment extends the maturity date of the ABS facility, which was to have expired on July 23, 2010, to April 1, 2013, and decreases the variable interest rate by approximately 80 basis points for funds provided under the ABS facility, calculated as the specified Pooled Commercial Paper Rate, as defined in the ABS facility, plus a fixed 1.45% margin (the CP Margin). However, beginning on June 15, 2012 (the Reset Date), the CP Margin may increase (but in no event exceed 1.50%) based on percentage changes in high yield spreads comparing average index rates for the calendar month prior to the Reset Date against average index rates for the corresponding calendar month in the previous year. Finally, the amendment provides that, under certain circumstances, the Company may be required to obtain a public rating of the ABS facility from one or more credit rating agencies of at least A or its equivalent. Failure by the Company to obtain such rating would result in an Amortization Event under the ABS facility.

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INSIGHT ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

Our consolidated debt balance that can be outstanding at the end of any fiscal quarter under our senior revolving credit facility and our ABS facility is limited by certain financial covenants, particularly a maximum leverage ratio. The maximum leverage ratio is calculated as aggregate debt outstanding divided by the sum of the Company s trailing twelve month net earnings plus (i) interest expense, less non-cash imputed interest on our inventory financing facility, (ii) income tax expense, (iii) depreciation and amortization and (iv) non-cash stock-based compensation (referred to herein as adjusted earnings). The maximum leverage ratio permitted under the agreements is 2.75 times trailing twelve-month adjusted earnings as of September 30, 2010 and stepped down to 2.50 times effective October 1, 2010 through April 1, 2013. As a result of this limitation, of the $450,000,000 of aggregate maximum debt capacity available under our senior revolving credit facility and our ABS facility, the Company s debt balance that could have been outstanding as of September 30, 2010 was limited to $428,300,000 based on 2.75 times the Company s trailing twelve-month adjusted earnings. The maximum leverage, minimum fixed charge and asset coverage ratio financial covenant requirements under the ABS facility were not modified as part of the July 1, 2010 amendment to the ABS facility.

Our financing facilities contain various covenants. If we fail to comply with these covenants, the lenders would be able to demand payment within a specified period of time. At September 30, 2010, we were in compliance with all such covenants.

Capital Lease Obligation

In July 2009, we entered into a four-year lease for certain IT equipment. Subsequently, in November 2009 and again in July 2010, we amended this lease to include additional IT equipment to be used in the same manner as the equipment covered by the initial lease. The amendment in July 2010 added $319,000 to the value of the equipment held under the capitalized lease. The obligations under the capitalized lease are included in long-term debt in our consolidated balance sheet as of September 30, 2010. The current and long-term portions of the obligation are included in the table above.

The equipment held under the capitalized lease is included in property and equipment and is amortized on a straight-line basis over the lease term. The related amortization expense is included in selling and administrative expenses in our consolidated statements of operations for the three and nine months ended September 30, 2010. As of September 30, 2010, accumulated amortization on the capital lease assets was $1,032,000.

Inventory Financing Facility

On April 26, 2010, we entered into an amendment to our inventory financing facility to increase the aggregate availability for vendor purchases under the facility from $90,000,000 to $100,000,000. On August 12, 2010, we entered into a second amendment to the facility to further increase the aggregate availability for vendor purchases under the facility from $100,000,000 to $150,000,000. As of September 30, 2010 and December 31, 2009, $84,330,000 and $94,282,000, respectively, was included in accounts payable within the consolidated balance sheets related to our inventory financing facility, which matures on April 1, 2013.

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INSIGHT ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

5. Income Taxes

Our effective tax rate for the three and nine months ended September 30, 2010 was 36.2% and 36.4%, respectively. For the three and nine months ended September 30, 2010, our effective tax rate was higher than the United States federal statutory rate of 35.0% due primarily to state income taxes, net of federal tax, partially offset by lower taxes on earnings in foreign jurisdictions.

Our effective tax rate from continuing operations for the three and nine months ended September 30, 2009 was 21.6% and 30.1%, respectively. For the three and nine months ended September 30, 2009, our effective tax rate was lower than the United States federal statutory rate of 35.0% due primarily to lower taxes on income in foreign jurisdictions, total benefits of $1,544,000 recognized during the quarter primarily related to the true-up of foreign tax credits resulting from the filing of our 2008 United States federal tax return and the recognition of certain tax benefits resulting from the settlement of audits, partially offset by state income taxes, net of federal benefit.

As of September 30, 2010 and December 31, 2009, we had $5,427,000 and $5,923,000, respectively, of unrecognized tax benefits. Of these amounts, approximately $377,000 and $330,000 relate to accrued interest as of September 30, 2010 and December 31, 2009, respectively.

Several of our subsidiaries are currently under audit for tax years 2002 through 2009. It is reasonably possible that the examination phase of these audits may conclude in the next 12 months and that the related unrecognized tax benefits for uncertain tax positions may change, potentially having a material effect on our effective tax rate. However, based on the status of the various examinations in multiple jurisdictions, an estimate of the range of reasonably possible outcomes cannot be made at this time.

6. Severance, Restructuring and Acquisition Integration Activities

Severance Costs Expensed for 2010 Resource Actions

During the three months ended September 30, 2010, North America and EMEA recorded severance expense totaling $199,000 and $120,000, respectively, and during the nine months ended September 30, 2010, North America and EMEA recorded severance expense totaling $1,142,000 and $1,029,000, respectively. During the nine months ended September 30, 2010, the North America charge was part of the roll-out of our new sales engagement model and plans to add new leadership in key areas, and the EMEA charge was associated with the severance for ten former teammates. The outstanding obligations as of September 30, 2010 of $511,000 and $504,000 for North America and EMEA, respectively, are expected to be paid within the next twelve months and are therefore included in accrued expenses and other current liabilities.

INSIGHT ENTERPRISES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(unaudited)

Severance Costs Expensed for 2009 Resource Actions

During the year ended December 31, 2009, North America, EMEA and APAC recorded severance expense related to the departure of our former President and Chief Executive Officer from the Company and ongoing restructuring efforts to reduce operating expenses. As of December 31, 2009, all severance costs recorded by APAC in connection with 2009 resource actions had been paid. The following table details the changes in these liabilities in North America and EMEA during the nine months ended September 30, 2010 (in thousands):

	North America	EMEA	Consolidated
Balance at December 31, 2009	$ 38	$ 1,904	$ 1,942
Foreign currency translation adjustments		(155)	(155)
Adjustments		(414)	(414)
Cash payments	(38)	(742)	(780)
Balance at September 30, 2010	$	$ 593	$ 593

In EMEA, adjustments of $21,000 and $414,000 were recorded as a reduction to severance and restructuring expense during the three and nine months ended September 30, 2010, respectively, and a reduction of the related severance accrual due to changes in estimates as cash payments were made. All remaining outstanding obligations are expected to be paid within the next twelve months and are therefore included in accrued expenses and other current liabilities.

Severance Costs Expensed for 2008 Resource Actions

During the year ended December 31, 2008, North America, EMEA and APAC recorded severance expense related to ongoing restructuring efforts to reduce operating expenses related to support functions. As of December 31, 2009, all severance costs recorded by APAC in connection with the 2008 resource actions had been paid. During the first quarter of 2010, final cash payments totaling $19,000 were made on the remaining accrued severance costs in North America and an adjustment of $70,000 was recorded as a reduction to severance and restructuring expense and the related severance accrual in EMEA due to changes in estimates. As of September 30, 2010, there were no outstanding severance obligations associated with the 2008 resource actions.

Acquisition-Related Costs Capitalized in 2006 as a Cost of Acquisition of Software Spectrum

In 2006, we recorded $9,738,000 of employee termination benefits and $1,676,000 of facility based costs in connection with the integration of Software Spectrum. These costs were recognized as a liability assumed in the purchase business combination and included in the allocation of the cost to acquire Software Spectrum.

The employee termination benefits relate to severance payments for Software Spectrum teammates in North America and EMEA who have been or will be terminated in connection with integration plans. The facilities based costs relate to future lease payments or lease termination costs associated with vacating certain Software Spectrum facilities in EMEA.

As of December 31, 2009, all severance costs recorded by North America in connection with the integration of Software Spectrum had been paid.

The following table details the changes in the remaining EMEA liabilities during the nine months ended September 30, 2010 (in thousands):

	EMEA
Balance at December 31, 2009	$ 1,358
Foreign currency translation adjustments	(62)
Adjustments	(106)
Cash payments	(479)

Balance at September 30, 2010	$	711

All remaining outstanding obligations are expected to be paid within the next twelve months and are therefore included in accrued expenses and other current liabilities. An adjustment of $106,000 was recorded as a reduction of selling and administrative expenses recorded during the three and nine months ended September 30, 2010 and the related severance accrual due to changes in estimates of the costs of the integration plan.

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Restructuring Costs Expensed in 2005

During the year ended December 31, 2005, Insight UK moved into a new facility and recorded facilities-based restructuring costs of $7,458,000. The related leases expired in October 2009, and the remaining balance in the accrual as of January 1, 2010 of $77,000 (related to certain service charges) was settled during the three and nine months ended September 30, 2010, leaving no accrual remaining as of September 30, 2010.

7. Stock-Based Compensation

We recorded the following pre-tax amounts for stock-based compensation, by operating segment, in our consolidated financial statements (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
North America	$ 1,712	$ 697	$ 3,901	$ 5,822
EMEA	508	68	1,105	2,000
APAC	57	44	133	152
Total	$ 2,277	$ 809	$ 5,139	$ 7,974

Stock Options

For the three months ended September 30, 2010 and 2009, we recorded stock-based compensation expense related to stock options, net of an estimate of forfeitures, of $93,000 and $72,000, respectively. For the nine months ended September 30, 2010 and 2009, we recorded stock-based compensation expense related to stock options, net of an estimate of forfeitures, of $276,000 and $207,000, respectively. As of September 30, 2010, total compensation cost not yet recognized related to nonvested stock options is $79,000, which is expected to be recognized through December 2010.

The following table summarizes our stock option activity during the nine months ended September 30, 2010:

	Number Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value (in-the-money options)	Weighted Average Remaining Contractual Life (in years)
Outstanding at January 1, 2010	589,424	$ 18.82		
Granted				
Exercised	(3,500)	14.00	$ 4,676	
Forfeited or expired	(332,219)	19.57		
Outstanding at September 30, 2010	253,705	17.91	$ 21,932	1.84
Exercisable at September 30, 2010	187,039	17.96	$ 21,932	1.71
Vested and expected to vest	253,705	17.91	$ 21,932	1.84

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on our closing stock price of $15.69 as of September 30, 2010, which would have been received by the option holders had all option holders exercised options and sold the underlying shares on that date.

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The following table summarizes the status of outstanding stock options as of September 30, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price Per Share	Number of Options Exercisable	Weighted Average Exercise Price Per Share
$13.94 17.06	26,499	0.39	$ 15.12	26,499	$ 15.12
17.77	200,000	2.21	17.77	133,334	17.77
18.36 27.88	27,006	0.53	21.60	27,006	21.60
29.56	150	0.08	29.56	150	29.56
31.94	50	0.10	31.94	50	31.94
	253,705	1.84	17.91	187,039	17.96

Restricted Stock

For the three months ended September 30, 2010 and 2009, we recorded stock-based compensation expense, net of an estimate of forfeitures, related to restricted stock units (RSUs) of $2,184,000 and $737,000, respectively. For the nine months ended September 30, 2010 and 2009, we recorded stock-based compensation expense, net of an estimate of forfeitures, related to RSUs of $4,863,000 and $7,767,000, respectively. The expense for the nine months ended September 30, 2009 includes a non-cash charge of $5,478,000 that was recognized as a result of the cancellation of certain long-term incentive awards and is discussed further in our Annual Report on Form 10-K for the year ended December 31, 2009. As of September 30, 2010, total compensation cost not yet recognized related to nonvested RSUs is $11,341,000, which is expected to be recognized over the next 1.21 years on a weighted-average basis.

The following table summarizes our RSU activity during the nine months ended September 30, 2010:

	Number	Weighted Average Grant Date Fair Value	Fair Value
Nonvested at January 1, 2010	1,126,797	$ 5.95	
Granted	1,045,569	13.18	
Vested, including shares withheld to cover taxes	(405,775)	8.76	$ 5,449,943(a)
Forfeited	(122,628)	7.41	
Nonvested at September 30, 2010	1,643,963	9.75	$ 25,793,779(b)
Expected to vest	1,569,614		$ 24,627,244(b)

(a) The fair value of vested RSUs represents the total pre-tax fair value, based on the closing stock price on the day of vesting, which would have been received by holders of RSUs had all such holders sold their underlying shares on that date.

(b) The aggregate fair values of the nonvested RSUs and RSUs expected to vest represent the total pre-tax fair value, based on our closing stock price of $15.69 as of September 30, 2010, which would have been received by holders of RSUs had all such holders sold their underlying shares on that date.

During the nine months ended September 30, 2010 and 2009, the RSUs that vested for teammates in the United States were net-share settled such that we withheld shares with value equivalent to the teammates minimum statutory United States tax obligations for the applicable income and other employment taxes and remitted the corresponding cash amount to the appropriate taxing authorities. The total shares withheld during the nine months ended September 30, 2010 and 2009 of 94,353 and 107,041, respectively, were based on the value of the RSUs on their vesting date as determined by our closing stock price on such vesting date. For the nine months ended September 30, 2010 and 2009, total payments for the employees tax obligations to the taxing authorities were $1,260,000 and $463,000, respectively, and are reflected as a financing activity within the consolidated statements of cash flows. These net-share settlements had the economic effect of repurchases of common stock as they reduced the number of shares that would have otherwise been issued as a result of the vesting and did not represent a repurchase of shares or an expense to us.

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8. Derivative Financial Instruments

We use derivatives to partially offset our exposure to fluctuations in certain foreign currencies. We do not enter into derivatives for speculative or trading purposes. Derivatives are recorded at fair value on the balance sheet and gains or losses resulting from changes in fair value of the derivative are recorded currently in income. The Company does not designate its hedges for hedge accounting.

Non-Designated Hedges

We use foreign exchange forward contracts to hedge certain non-functional currency assets and liabilities from changes in exchange rate movements. Our non-functional currency assets and liabilities are primarily related to foreign currency denominated payables, receivables, and cash balances. The foreign currency forward contracts, carried at fair value, typically have a maturity of one month or less. We currently enter into approximately three foreign exchange forward contracts per month with an average notional value of $9,300,000 and an average maturity of approximately two weeks. Additional information on our purpose for entering into derivatives is described in Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2009.

The counterparties associated with our foreign exchange forward contracts are large credit worthy commercial banks. The derivatives transacted with these institutions are short in duration, and therefore we do not consider counterparty concentration and non-performance to be material risks.

The following table summarizes our derivative financial instruments as of September 30, 2010 and December 31, 2009 (in thousands):

		September 30, 2010		December 31, 2009	
	Balance Sheet Location	**Asset Derivatives Fair Value**	**Liability Derivatives Fair Value**	**Asset Derivatives Fair Value**	**Liability Derivatives Fair Value**
Derivatives not designated as hedging instruments:					
Foreign exchange forward contracts	Other current assets	$	$	$ 105	$
Foreign exchange forward contracts	Accrued expenses and other current liabilities		75		65
Total derivatives not designated as hedging instruments		$	$ 75	$ 105	$ 65

The following table summarizes the effect of our derivative financial instruments on our results of operations during the three and nine months ended September 30, 2010 and 2009 (in thousands):

		Amount of (Gain) Loss Recognized in Earnings on Derivatives			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
Derivatives Not Designated as Hedging Instruments	**Location of (Gain) Loss Recognized in**	**2010**	**2009**	**2010**	**2009**

	Earnings on Derivatives				
Foreign exchange forward contracts	Net foreign currency exchange loss (gain)	$ 314	$ 467	$ (1,147)	$ 2,284
Total		$ 314	$ 467	$ (1,147)	$ 2,284

INSIGHT ENTERPRISES, INC.
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9. Fair Value Measurements

The following table summarizes the valuation of our financial instruments by the following three categories as of September 30, 2010 and December 31, 2009 (in thousands):

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

		September 30, 2010		December 31, 2009
Balance Sheet Classification		**Foreign Exchange Derivatives**	**Long-lived Asset Held for Sale**	**Foreign Exchange Derivatives**
Other current assets	Level 1	$	$	$
	Level 2		1,200	105
	Level 3			
		$	$ 1,200	$ 105
Accrued expenses and other current liabilities	Level 1	$	$	$
	Level 2	75		65
	Level 3			
		$ 75	$	$ 65

We have elected to use the income approach to value our foreign exchange derivatives, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present value amount assuming that participants are motivated, but not compelled, to transact. Level 2 inputs for the valuations are limited to quoted prices for similar assets or liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability (specifically LIBOR rates, foreign exchange rates, and foreign exchange forward points). Mid-market pricing is used as a practical expedient for fair value measurements. The fair value measurement of an asset or liability must reflect the nonperformance risk of the entity and the counterparty. Therefore, the impact of the counterparty s creditworthiness when in an asset position and the Company s creditworthiness when in a liability position has also been factored into the fair value measurement of the derivative instruments and did not have a material impact on the fair value of these derivative instruments. Both the counterparty and the Company are expected to continue to perform under the contractual terms of the instruments. We did not have any assets or liabilities measured at Level 1 or Level 3 or implement any changes in our valuation techniques as of and for the three and nine months ended September 30, 2010.

As of September 30, 2010, other than the asset held for sale discussed below, we have no nonfinancial assets or liabilities that are measured at fair value on a recurring basis, and our other financial assets or liabilities generally consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities. The estimated fair values of our cash equivalents is determined based on quoted prices in active markets for identical assets. The fair value of the other financial assets and liabilities is based on the value that would be received or paid in an orderly transaction between market participants and approximates the carrying value due to their nature and short duration.

In accordance with the terms of our President and CEO s employment agreement, which was effective January 1, 2010, the Company acquired his former residence on the Gulf Coast of Florida for $2,100,000 in May 2010. The price paid was based on two independent real estate appraisals performed in late January/early February of 2010, immediately subsequent to the President and CEO s employment. The long-lived asset held for sale is included in other current assets in the accompanying balance sheet as of September 30, 2010 based on the Company s current disposal plans. As of September 30, 2010, the asset was written down to its fair value, less estimated costs to sell, of approximately $1,200,000, resulting in a loss of approximately $900,000, which was included in selling and administrative expenses during the nine months ended September 30, 2010 ($600,000 during the second quarter and $300,000 during the third quarter of 2010). The Company closed the sale of the former residence on October 15, 2010 for $1,300,000, less costs to sell.

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10. Comprehensive Income

Comprehensive income for the three and nine months ended September 30, 2010 and 2009 includes the following component (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net earnings	$ 14,432	$ 7,272	$ 50,511	$ 16,169
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	13,097	2,714	(2,066)	11,352
Total comprehensive income	$ 27,529	$ 9,986	$ 48,445	$ 27,521

11. Commitments and Contingencies

Contractual

In the ordinary course of business, we issue performance bonds to secure our performance under certain contracts or state tax requirements. As of September 30, 2010 and December 31, 2009, we had approximately $18,514,000 and $14,116,000, respectively, of performance bonds outstanding. These bonds are issued on our behalf by a surety company on an unsecured basis; however, if the surety company is ever required to pay out under the bonds, we have contractually agreed to reimburse them.

Employment Contracts and Severance Plans

We have employment contracts with, and plans covering, certain officers and management teammates under which severance payments would become payable in the event of specified terminations without cause or terminations under certain circumstances after a change in control. In addition, vesting of stock based compensation would accelerate following a change in control. If severance payments under the current employment agreements or plan payments were to become payable, the severance payments would generally range from three to twenty-four months of salary.

Guaranties

In the ordinary course of business, we may guarantee the indebtedness or performance obligations of our subsidiaries to vendors and clients. We have not recorded specific liabilities for these guaranties in our consolidated financial statements because, to the extent applicable, we have recorded the underlying liabilities associated with the guaranties. In the event we are required to perform under the related contracts, we believe the cost of such performance would not have a material adverse effect on our consolidated financial position, results of operations or liquidity. Our financing agreements generally limit the amount of guarantees that may be outstanding at a point in time related to client or vendor contracts where such guarantees are considered indebtedness, as defined in the financing agreements.

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Indemnifications

From time to time, in the ordinary course of business, we enter into contractual arrangements under which we agree to indemnify either our clients or third-party service providers from certain losses incurred relating to services performed on our behalf or for losses arising from defined events, which may include litigation or claims relating to past performance. These arrangements include, but are not limited to, the indemnification of our clients for certain claims arising out of our performance under our sales contracts, the indemnification of our landlords for certain claims arising from our use of leased facilities and the indemnification of the lenders that provide our credit facilities for certain claims arising from their extension of credit to us. Such indemnification obligations may not be subject to maximum loss clauses.

Management believes that payments, if any, related to these indemnifications are not probable at September 30, 2010. Accordingly, we have not accrued any liabilities related to such indemnifications in our consolidated financial statements.

We have entered into separate indemnification agreements with our executive officers and with each of our directors. These agreements require us, among other requirements, to indemnify such officers and directors against expenses (including attorneys fees), judgments and settlements paid by such individual in connection with any action arising out of such individual s status or service as our executive officer or director (subject to exceptions such as where the individual failed to act in good faith or in a manner the individual reasonably believed to be in or not opposed to the best interests of the Company) and to advance expenses incurred by such individual with respect to which such individual may be entitled to indemnification by us. Other than the pending purported class action litigation and the State derivative actions discussed under Legal Proceedings below, there are no pending legal proceedings that involve the indemnification of any of the Company s directors or officers.

Contingencies Related to Third-Party Review

From time to time, we are subject to potential claims and assessments from third parties. We are also subject to various governmental, client and vendor audits. We continually assess whether or not such claims have merit and warrant accrual. Where appropriate, we accrue estimates of anticipated liabilities in the consolidated financial statements. Such estimates are subject to change and may affect our results of operations and our cash flows.

Legal Proceedings

We are party to various legal proceedings arising in the ordinary course of business, including preference payment claims asserted in client bankruptcy proceedings, claims of alleged infringement of patents, trademarks, copyrights and other intellectual property rights, claims of alleged non-compliance with contract provisions and claims related to alleged violations of laws and regulations.

We make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and are adjusted to reflect the effects of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular claim. Although litigation is inherently unpredictable, we believe that we have adequate provisions for any probable and reasonably estimable losses. It is possible, nevertheless, that our financial position, the results of our operations or our liquidity could be materially and adversely affected in any particular period by the resolution of a legal proceeding. Legal expenses related to defense, negotiations, settlements, rulings and advice of outside legal counsel are expensed as incurred.

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Beginning in March 2009, three purported class action lawsuits were filed in the U.S. District Court for the District of Arizona against us and certain of our current and former directors and officers on behalf of purchasers of our securities during the period April 22, 2004 to February 6, 2009. Two plaintiffs voluntarily dismissed their complaints, and the District Court appointed a lead plaintiff and lead counsel. The plaintiff in the remaining action filed an amended complaint in September 2009, seeking unspecified damages, and the District Court dismissed the amended complaint on April 30, 2010. On June 1, 2010, the plaintiff filed a second amended complaint, which asserts claims under the federal securities laws relating to our February 9, 2009 announcement that we expected to restate our financial statements and also includes additional allegations regarding other purported accounting and revenue recognition issues during the class period. All defendants have filed motions to dismiss the second amended complaint, briefing on the motions to dismiss has been completed and oral argument on the motion to dismiss the second amended complaint will be heard in November 2010. In June 2009, we were notified that three shareholder derivative lawsuits had been filed, two in the Superior Court in Maricopa County, Arizona (the State derivative actions) and one in the U.S. District Court for the District of Arizona (the Federal derivative action), by persons identifying themselves as Insight shareholders and purporting to act on behalf of Insight, naming Insight as a nominal defendant and current and former officers and directors as defendants. Initially, the three derivative action complaints, like the purported class action complaint, primarily arose out of our February 9, 2009 announcement. The Federal derivative action has been dismissed with prejudice, and the plaintiff in that action has appealed the order of dismissal to the U.S. Court of Appeals for the Ninth Circuit. The two State derivative actions were consolidated into a single action, and the plaintiff filed an amended complaint in the consolidated action on October 30, 2009 that alleges breaches of fiduciary duties of loyalty and good faith, breach of fiduciary duties for insider selling and misappropriation of information, and unjust enrichment. The amount of damages sought by the plaintiffs is not specified in the consolidated complaint. We moved to dismiss the State derivative actions, and oral argument on the motion to dismiss was heard in August 2010. On October 18, 2010, the State derivative actions were dismissed with prejudice. The judgment of dismissal is not yet final and may still be appealed. We have tendered a claim to our D&O liability insurance carriers, and our carriers have acknowledged their obligations under these policies subject to a reservation of rights.

In August 2010, in connection with an investigation being conducted by the United States Department of Justice (the DOJ), Calence received a subpoena from the Office of the Inspector General of the Federal Communications Commission (the FCC OIG) requesting documents related to the award, by the Universal Service Administration Company, of funds under the E-Rate program. The E-Rate program provides schools and libraries with discounts to obtain affordable telecommunications and internet access. We are cooperating with the DOJ and FCC OIG and are in the process of responding to the subpoena. Pursuant to the Calence acquisition agreements, the former owners of Calence have agreed to indemnify us for certain damages that may arise out of or result from this matter, including our fees and expenses for responding to the subpoena.

Aside from the matters discussed above, the Company is not involved in any pending or threatened legal proceedings that it believes could reasonably be expected to have a material adverse effect on its financial condition, results of operations or liquidity.

12. Segment Information

We operate in three reportable geographic operating segments: North America; EMEA; and APAC. Currently, our offerings in North America and the United Kingdom include IT hardware, software and services. Our offerings in the remainder of our EMEA segment and in APAC are almost entirely software and select software-related services. Net sales by product or service type for North America, EMEA and APAC were as follows for the three and nine months ended September 30, 2010 and 2009 (in thousands):

	North America Three Months Ended	EMEA Three Months Ended	APAC Three Months Ended

Sales Mix	**September 30, 2010**	**2009**	**September 30, 2010**	**2009**	**September 30, 2010**	**2009**
Hardware	$ 572,427	$ 427,832	$ 103,326	$ 101,963	$ 408	$ 159
Software	245,563	195,971	159,854	142,978	32,142	34,601
Services	53,214	62,193	4,633	3,496	660	742
	$ 871,204	$ 685,996	$ 267,813	$ 248,437	$ 33,210	$ 35,502

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	North America Nine Months Ended September 30,		EMEA Nine Months Ended September 30,		APAC Nine Months Ended September 30,	
Sales Mix	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Hardware	$ 1,555,173	$ 1,214,278	$ 322,888	$ 282,214	$ 818	$ 835
Software	716,528	671,843	607,978	507,771	126,506	95,655
Services	153,298	173,507	13,450	10,418	2,586	1,736
	$ 2,424,999	$ 2,059,628	$ 944,316	$ 800,403	$ 129,910	$ 98,226

All intercompany transactions are eliminated upon consolidation, and there are no differences between the accounting policies used to measure profit and loss for our segments and on a consolidated basis. Net sales are defined as net sales to external clients. None of our clients exceeded ten percent of consolidated net sales for the three and nine months ended September 30, 2010.

A portion of our operating segments selling and administrative expenses arise from shared services and infrastructure that we have historically provided to them in order to realize economies of scale. These expenses, collectively identified as corporate charges, include senior management expenses, internal audit, legal, tax, insurance services, treasury and other corporate infrastructure expenses. Charges are allocated to our operating segments, and the allocations have been determined on a basis that we considered to be a reasonable reflection of the utilization of services provided to or benefits received by the operating segments.

The tables below present information about our reportable operating segments as of and for the three months ended September 30, 2010 and 2009 (in thousands):

	Three Months Ended September 30, 2010			
	North America	**EMEA**	**APAC**	**Consolidated**
Net sales	$ 871,204	$ 267,813	$ 33,210	$ 1,172,227
Costs of goods sold	760,668	229,681	27,233	1,017,582

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