

# INSIGHT ENTERPRISES, INC.

1305 West Auto Drive  
Tempe, Arizona 85284

## NOTICE OF 2000 ANNUAL MEETING OF STOCKHOLDERS May 16, 2000

TO OUR STOCKHOLDERS:

Notice is hereby given that the 2000 Annual Meeting of Stockholders of Insight Enterprises, Inc., a Delaware corporation (the "Company"), will be held on Tuesday, May 16, 2000, at 3:00 p.m. local time, at the Company's corporate headquarters, 1305 West Auto Drive, Tempe, Arizona 85284, for the following purposes:

- (1) To elect two Class III Directors to serve until the 2003 Annual Meeting of Stockholders or until their successors have been duly elected and qualified;
- (2) To approve an amendment to the Company's Amended and Restated Certificate of Incorporation increasing the authorized number of shares of Common Stock, \$.01 par value per share, from 30,000,000 to 100,000,000;
- (3) To approve amendments to the Insight Enterprises, Inc. 1998 Long-Term Incentive Plan increasing the number of shares authorized for issuance thereunder and to make certain other amendments; and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof. Management is presently aware of no other business to come before the Annual Meeting.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Each outstanding share of the Company's Common Stock entitles the holder of record at the close of business on March 21, 2000 to receive notice of and to vote at the Annual Meeting or any adjournment or postponement thereof. Shares of Common Stock can be voted at the Annual Meeting only if the holder is present at the Annual Meeting in person or by valid proxy. A copy of the Company's 1999 Annual Report to Stockholders, which includes audited financial statements, is enclosed. The Annual Report is not part of our proxy soliciting material.

All stockholders are cordially invited to attend the Annual Meeting.

By order of the Board of Directors

Tempe, Arizona  
March 31, 2000

Stanley Laybourne  
Secretary, Treasurer  
and Chief Financial Officer

### IMPORTANT

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN, DATE AND MAIL THE ENCLOSED PROXY SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. A POSTAGE-PAID ENVELOPE IS PROVIDED FOR MAILING IN THE UNITED STATES.**

# INSIGHT ENTERPRISES, INC.

1305 West Auto Drive  
Tempe, Arizona 85284

## PROXY STATEMENT

### 2000 ANNUAL MEETING OF STOCKHOLDERS

May 16, 2000

#### SOLICITATION, EXECUTION AND REVOCATION OF PROXIES

This Proxy Statement is furnished to the stockholders of record of Insight Enterprises, Inc. (the "Company") for the solicitation of proxies to be used at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on Tuesday, May 16, 2000, at 3:00 p.m. local time, at the Company's corporate headquarters, 1305 West Auto Drive, Tempe, Arizona 85284, and at any and all adjournments or postponements thereof. **The enclosed proxy is solicited by the Board of Directors of the Company.** The proxy materials will be mailed on or about April 14, 2000, to stockholders of record at the close of business on March 21, 2000 (the "Record Date").

When stock is in the name of more than one person, the proxy is valid if signed by any of such persons unless the Company receives written notice to the contrary. If the stockholder is a corporation, the proxy should be signed in the name of such corporation by an executive or other authorized officer. If signed as attorney, executor, administrator, trustee, guardian or in any other representative capacity, the signer's full title should be given and, if not previously furnished, a certificate or other evidence of appointment should be furnished.

You have the power to revoke the proxy at any time before it is voted by executing a later-dated proxy relating to the same shares and delivering it to the Secretary of the Company at 1305 West Auto Drive, Tempe, Arizona 85284 prior to the vote at the Annual Meeting, or by written notice of revocation to the Secretary prior to the vote at the Annual Meeting, or by appearing in person at the Annual Meeting and voting the shares to which the proxy relates. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must bring to the Annual Meeting a letter from the broker, bank or other nominee confirming your beneficial ownership of the shares.

In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegram by the directors, officers and regular employees of the Company. Such persons will receive no additional compensation for such services. Arrangements will also be made with certain brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of Common Stock. Such brokers, custodians, nominees and fiduciaries will be reimbursed for their reasonable out-of-pocket expenses incurred in connection therewith. All expenses incurred in connection with this solicitation will be borne by the Company. The estimated fee for this proxy solicitation is \$15,000, plus reasonable out of pocket expenses.

## **VOTING SECURITIES OUTSTANDING**

Only holders of record of the Company's Common Stock at the close of business on the Record Date will be entitled to notice of and to vote at the Annual Meeting. On the Record Date, there were issued and outstanding 26,904,269 shares of the Company's Common Stock. Each holder of Common Stock is entitled to one vote on each proposal that comes before the Annual Meeting, exercisable in person or by proxy, for each share of the Company's Common Stock held of record on the Record Date. The presence of a majority of the shares of outstanding Common Stock entitled to vote, in person or by proxy, is required to constitute a quorum for the transaction of business at the Annual Meeting. The Inspector of Election appointed by the Board of Directors shall determine the shares represented at the meeting and the validity of proxies and ballots, and shall count all votes and ballots. Shares represented by proxies marked "withhold authority" with respect to the election of one or more directors, or which contain one or more abstentions, are counted as present or represented for purposes of determining both (i) the presence or absence of a quorum for the Annual Meeting and (ii) the total number of shares entitled to vote. A "broker non-vote" occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or other nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner. Broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting, but are not counted for purposes of determining the number of shares entitled to vote with respect to any proposal that the broker or other nominee lacks discretionary authority.

All shares represented by valid proxies will be voted in accordance with the direction on the proxies. Any proxy on which no direction is indicated, will be voted FOR Proposals 1, 2 and 3. The Board of Directors is not aware of any other matters, which may come before the meeting. If any other matters are properly presented at the meeting for action, including a question of adjourning the meeting from time to time, the persons named in the proxies and acting thereunder will have discretion to vote on such matters.

## **STOCK SPLITS**

On January 6, 1999, the Company's Board of Directors approved a 3-for-2 stock split in the form of a stock dividend payable on February 18, 1999 to the stockholders of record at the close of business on January 25, 1999.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

The Company's Board of Directors consists of five members divided into three classes, with the directors in each class serving for a term of three years. The three-year terms of Timothy A. Crown and Stanley Laybourne, who are Class III directors, expire at the Annual Meeting. The Board of Directors has nominated Messrs. Crown and Laybourne for re-election as directors and, unless otherwise instructed, the proxy holders will vote for the election of Messrs. Crown and Laybourne as directors of the Company.

If any nominee of the Company is unable or declines to serve as a director, or if a vacancy occurs before election (which events are not anticipated), the proxy holders will vote for the election of such other person or persons nominated by the Board of Directors.

#### **Required Vote**

The two nominees who receive the most votes will be elected to the Board of Directors. Votes may be cast FOR the nominees or WITHHELD. In addition, you may indicate that you are voting FOR the nominees except for any nominee(s) specified in writing on the proxy card. An abstention will have the same effect as voting WITHHELD for election of directors, and, pursuant to Delaware law, a broker non-vote will not be treated as voting in person or by proxy on the proposal.

Information concerning the director nominees is set forth below.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR ELECTION OF EACH OF THE DIRECTOR NOMINEES.**

## INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS

The names of the Company's directors and executive officers, and information about them, are set forth below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Eric J. Crown <sup>(1)</sup>	38	Co-Chief Executive Officer and Chairman of the Board of the Company (Term expires in 2001)
Timothy A. Crown <sup>(1)</sup>	36	Co-Chief Executive Officer, President and Director of the Company (Term expires in 2000)
Stanley Laybourne <sup>(1)</sup>	51	Chief Financial Officer, Secretary, Treasurer and Director of the Company (Term expires in 2000)
Larry A. Gunning <sup>(2)</sup>	56	Director of the Company (Term expires in 2002)
Robertson C. Jones <sup>(2)</sup>	55	Director of the Company (Term expires in 2002)
Michael A. Gumbert	41	President and Chief Operating Officer of Insight Direct Worldwide, Inc., a subsidiary of the Company
Branson M. Smith	44	President and Chief Operating Officer of Direct Alliance Corporation, a subsidiary of the Company

<sup>(1)</sup> Member of Executive Committee of the Board of Directors.

<sup>(2)</sup> Member of Audit and Compensation Committees of the Board of Directors.

*Eric J. Crown.* Mr. Crown has been the Chief Executive Officer and Chairman of the Board of the Company since 1994, has held various officer and director positions with Insight's predecessor corporations since 1988, and is one of the Company's founders. In 1984, he received a Bachelor of Science degree in Business Computer Information Systems from Arizona State University. From 1983 to 1988, Mr. Crown operated an independent computer and business-consulting firm. Eric J. Crown is the brother of Timothy A. Crown.

*Timothy A. Crown.* Mr. Crown has been a director of the Company since 1994. Mr. Crown has been employed by the Company or one of its predecessors since 1988 and has been President since 1989. Mr. Crown was named as Co-Chief Executive Officer on January 25, 2000. He received a Bachelor of Science degree in Business and Computer Science from the University of Kansas in 1986. From 1986 to 1987, Mr. Crown was employed by NCR Corporation as an Administrative Analyst. From 1987 to 1988, Mr. Crown partnered with Eric Crown in operating an independent computer business-consulting firm. Timothy A. Crown is the brother of Eric J. Crown.

*Stanley Laybourne.* Mr. Laybourne has been a director of the Company since 1994. He became the Chief Financial Officer and Treasurer in 1991, and in 1994 he became Secretary of the Company. Mr. Laybourne received a Bachelor of Science degree in Accounting from The Ohio State University in 1971 and a Masters in Business Administration degree from Arizona State University in 1972. From 1972 to 1985, he was employed by Touche, Ross & Co., a predecessor to Deloitte & Touche, where he was an audit partner from 1983 to 1985. From 1985 to 1989, Mr. Laybourne was President and Chief Executive Officer of The Scottscom Group, a financial services company. From 1989 to 1990, Mr. Laybourne was Executive Vice President of Ovation Broadcasting Company, a company which operated commercial radio broadcast properties. Mr. Laybourne is the Chief Financial Officer of the Arizona Sports Foundation, d/b/a Fiesta Bowl, Fiesta Events, Inc. and the Tucson Bowl Foundation d/b/a Insight.com Bowl. Mr. Laybourne is a Certified Public Accountant.

*Larry A. Gunning.* Mr. Gunning has been a director of the Company since 1995. He has been President and Director of Pasco Petroleum Corp., a petroleum marketing company, since 1988. Mr. Gunning received a Bachelor of Science degree in Business Management from Arizona State University in 1966. Mr. Gunning is a member of the Arizona State University College of Business Dean's Council of 100 and a director of several nonprofit organizations.

*Robertson C. Jones.* Mr. Jones has been a director of the Company since 1995. Mr. Jones is Senior Vice President and General Counsel of Del Webb Corporation, a developer of master-planned residential communities, where he has worked since 1992. Mr. Jones received his Bachelor of Arts degree from Williams College in 1966, his Masters in Business Administration degree from Oklahoma City University in 1969, and his Juris Doctor degree from University of California, Hastings College of Law, in 1977. Mr. Jones is a director of several nonprofit organizations, including the Arizona Chamber of Commerce.

*Michael A. Gumbert.* Mr. Gumbert was hired in 1996 as Chief Operating Officer of Insight Direct USA, Inc., a subsidiary of the Company. In July 1999, Mr. Gumbert was promoted to President of Insight Direct Worldwide, Inc., a subsidiary of the Company. From 1983 through 1990, Mr. Gumbert held various positions within MicroAmerica, Inc., a value-added computer distributor. In 1990, MicroAmerica, Inc. was acquired by Merisel, Inc., a distributor of computers, software and peripherals. From 1990 through 1995, Mr. Gumbert held several positions with Merisel, Inc., including Senior Vice President, Sales and Operation. From 1995 to 1996, Mr. Gumbert was Senior Vice President, General Manager of Tandy Corporation, a consumer electronic retailer. Mr. Gumbert received a Bachelor of Business Administration in Marketing from North Texas State University in 1981.

*Branson M. Smith.* Mr. Smith was employed by Insight Direct USA, Inc., a subsidiary of the Company, from 1992 to 1996, serving as its Vice President of Distribution and Senior Vice President of Fulfillment Services. In 1996, Mr. Smith was promoted to Chief Operating Officer of Direct Alliance Corporation, a subsidiary of the Company, and in July 1999 was further promoted to President. From 1987 to 1991, Mr. Smith was a Division Manager of Shape West, a computer disk manufacturer. From 1991 to 1992, Mr. Smith was a principal in Southwest Automation, an industrial operations consulting firm. Mr. Smith received a Bachelor of Science degree in Business Administration from the University of Arizona in 1978.

## MEETINGS OF THE BOARD AND ITS COMMITTEES

The Board of Directors held five meetings during the year ended December 31, 1999. No director attended fewer than 75% of the aggregate of all meetings of the Board of Directors and any committee on which such director served during the period of such service. The Board presently has an Executive Committee, an Audit Committee and a Compensation Committee.

The Executive Committee consists of Eric J. Crown, Timothy A. Crown and Stanley Laybourne. The Executive Committee is empowered to act on Board matters that arise between meetings of the full Board of Directors.

The Audit Committee consists of Larry A. Gunning and Robertson C. Jones and met two times in 1999. The Audit Committee meets independently with representatives of the Company's independent auditors and with representatives of senior management. The Committee reviews the general scope of the Company's annual audit, the fee charged by the independent auditors and other matters relating to internal control systems. In addition, the Audit Committee is responsible for reviewing the extent of non-audit services by the Company's auditors in relation to the objectivity needed in the audit. The Committee is responsible to review all related party transactions and to review potential conflict of interest situations where appropriate. The Committee is also responsible for recommending the engagement or discharge of the Company's independent auditors.

The Compensation Committee consists of Messrs. Gunning and Jones and met two times in 1999. The Compensation Committee administers salaries and benefit programs designed for senior management, officers and directors and the Company's stock option plans to insure that the Company is attracting and retaining highly qualified managers through competitive salary and benefit programs and encouraging extraordinary effort through incentive rewards.

The Company does not have a nominating committee or a committee performing the functions of a nominating committee. Nominations of persons to be directors are considered by the full Board of Directors.

### **Compensation of Directors**

Directors who are not employees of the Company ("non-employee directors") receive a retainer of \$2,000 per quarter, \$500 per Board meeting attended, \$300 per committee meeting attended and reimbursement of reasonable expenses and certain formula-based stock option awards as described below. Directors who are employees of the Company do not receive compensation for their service as directors. Non-employee directors are eligible to receive nonqualified stock options pursuant to an annual formula grant. The formula provided for an initial grant of options for 8,437 shares to each non-employee director on the closing date of the Company's initial public offering. Commencing in 1996, non-employee directors started receiving options for 5,062 shares each time they were elected for a three-year term on the Board. Non-employee directors who are initially elected to the Board between annual meetings receive options for 1,687 shares multiplied by the number of full and partial years of their initial terms. Options are exercisable for 10 years at the fair market value of the stock on the date of grant and vest over a three year period, subject to continued Board service.

## EXECUTIVE COMPENSATION

The following table sets forth for each of the last three years the total for services rendered to the Company by (i) the Company's Chief Executive Officer and (ii) its four other most highly compensated executive officers (collectively, the "Named Executive Officers"). The amounts shown include both amounts paid and amounts deferred.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards		All Other Compensation <sup>(3)</sup>
		Salary <sup>(§)</sup>	Bonus <sup>(§)</sup>	Other Annual Compensation <sup>(§)(1)</sup>	Restricted Stock Awards <sup>(§)(2)</sup>	Securities Underlying Options <sup>(#)</sup>	
Eric J. Crown Co-Chief Executive Officer	1999	\$ 250,000	\$ -	--	\$ 848,495	120,000	\$ 3,288
	1998	\$ 250,000	\$ 111,879	--	\$ 456,845	168,750	\$ 2,279
	1997	\$ 237,500	\$ 195,042	--	-	151,872	\$ 1,542
Timothy A. Crown Co-Chief Executive Officer & President	1999	\$ 250,000	\$ -	--	\$ 848,495	120,000	\$ 3,311
	1998	\$ 250,000	\$ 111,879	--	\$ 456,845	168,750	\$ 1,732
	1997	\$ 237,500	\$ 195,042	--	-	151,872	\$ 1,396
Stanley Laybourne Chief Financial Officer, Secretary and Treasurer	1999	\$ 190,000	\$ -	--	\$ 169,700	100,000	\$ 3,322
	1998	\$ 190,000	\$ 22,391	--	\$ 91,392	90,000	\$ 1,851
	1997	\$ 170,000	\$ 85,342	--	-	50,622	\$ 2,916
Michael A. Gumbert President and Chief Operating Officer of Insight Direct Worldwide, Inc.	1999	\$ 215,000	\$ 360,545	--	\$ 102,139	100,000	\$ 3,572
	1998	\$ 215,000	\$ 52,980	--	\$ 70,875	90,000	\$ 3,363
	1997	\$ 192,500	\$ 110,967	--	-	67,497	\$ 3,195
Branson M. Smith President and Chief Operating Officer of Direct Alliance Corporation	1999	\$ 200,000	\$ 65,038	--	\$ 41,235	100,000	\$ 3,458
	1998	\$ 155,000	\$ 20,922	--	\$ 31,988	56,250	\$ 1,737
	1997	\$ 146,000	\$ 36,118	--	-	67,500	\$ 1,620

(1) The cost of certain perquisites and other personal benefits are not included because they did not exceed, in the case of any executive officer, the lesser of \$50,000 or 10% of the total of the annual salary and bonus for such executive.

(2) Represents the value based upon the number of shares awarded multiplied by the closing price on the date of grant as reported on the Nasdaq National Market. The value of the 36,423, 36,423, 6,932, 5,839, and 2,544 shares of restricted stock held at December 31, 1999 by Messrs. Crown, Crown, Laybourne, Gumbert and Smith, respectively (calculated by multiplying the number of shares held by the closing price on December 31, 1999 as reported on the Nasdaq National Market) was \$1,479,684, \$1,479,684, \$281,613, \$237,209, and \$103,350 as of December 31, 1999. Recipients of restricted stock are entitled to receive any dividends declared on the Company's Common Stock, regardless of whether such shares have vested. The restricted stock vests quarterly over a period of three years from the date of grant, subject to acceleration in certain circumstances.

(3) Represents payments for disability insurance premiums and 401(k) contributions made by the Company to the accounts of the executive officers in the following amounts, respectively: \$788 and \$2,500 in 1999, \$1,060 and \$1,219 in 1998, and \$1,060 and \$482 in 1997 for Eric J. Crown; \$811 and \$2,500 in 1999, \$1,060 and \$672 in 1998 and \$914 and \$482 in 1997 for Timothy A. Crown; \$822 and \$2,500 in 1999, \$885 and \$966 in 1998 and \$885 and \$2,031 in 1997 for Stanley Laybourne; \$1,072 and \$2,500 in 1999, \$1,097 and \$2,266 in 1998 and \$1,097 and \$2,098 in 1997 for Michael A. Gumbert; \$958 and \$2,500 in 1999, \$784 and \$953 in 1998 and \$783 and \$837 in 1997 for Branson M. Smith.

## Option Grants in Last Fiscal Year

The following table sets forth information regarding stock options granted during the year ended December 31, 1999 to the Named Executive Officers.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
	Number of Securities Underlying Options Granted (#) <sup>(1)</sup>	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	5%(\$)	10%(\$)
Eric J. Crown	50,000	3.1%	\$25.3750	07/01/09	\$ 797,910	\$2,022,061
	20,000	1.3%	\$31.6562	10/01/09	\$ 398,168	\$1,009,037
	25,000	1.6%	\$29.8750	10/08/09	\$ 469,706	\$1,190,326
	<u>25,000</u>	<u>1.6%</u>	<u>\$32.0000</u>	<u>11/19/09</u>	<u>\$ 503,116</u>	<u>\$1,274,994</u>
	120,000	7.5%			\$2,168,900	\$5,496,418
Timothy A. Crown	50,000	3.1%	\$25.3750	07/01/09	\$ 797,910	\$2,022,061
	20,000	1.3%	\$31.6562	10/01/09	\$ 398,168	\$1,009,037
	25,000	1.6%	\$29.8750	10/08/09	\$ 469,706	\$1,190,326
	<u>25,000</u>	<u>1.6%</u>	<u>\$32.0000</u>	<u>11/19/09</u>	<u>\$ 503,116</u>	<u>\$1,274,994</u>
	120,000	7.5%			\$2,168,900	\$5,496,418
Stanley Laybourne	25,000	1.6%	\$25.3750	07/01/09	\$ 398,955	\$1,011,030
	<u>75,000</u>	<u>4.7%</u>	<u>\$27.6250</u>	<u>09/28/09</u>	<u>\$1,302,991</u>	<u>\$3,302,035</u>
	100,000	6.3%			\$1,701,946	\$4,313,066
Michael A. Gumbert	25,000	1.6%	\$25.3750	07/01/09	\$ 398,955	\$1,011,030
	<u>75,000</u>	<u>4.7%</u>	<u>\$27.6250</u>	<u>09/28/09</u>	<u>\$1,302,991</u>	<u>\$3,302,035</u>
	100,000	6.3%			\$1,701,946	\$4,313,066
Branson M. Smith	25,000	1.6%	\$25.3750	07/01/09	\$ 398,955	\$1,011,030
	<u>75,000</u>	<u>4.7%</u>	<u>\$27.6250</u>	<u>09/28/09</u>	<u>\$1,302,991</u>	<u>\$3,302,035</u>
	100,000	6.3%			\$1,701,946	\$4,313,066

(1) One-third of the options become exercisable on each of the first three anniversaries of the grant date.

(2) Amounts represent hypothetical gains that could be achieved over the full option term (10 years). The potential realizable value is calculated by assuming that the market price of the underlying security appreciates in value from the date of grant to the end of the term of the option at the specified annual rates, and that the option is exercised at the exercise price and sold on the last day of its term at the appreciated price. These gains are based on assumed rates of stock appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date and are not presented to forecast possible future appreciation, if any, in the price of the Common Stock.

## Aggregated Option Exercises and Fiscal Year-End Option Values

The following table sets forth information with respect to option exercises of and the number and value of options outstanding at December 31, 1999 held by the Named Executive Officers.

<u>Name</u>	<u>Shares Acquired on Exercise (#)</u>	<u>Value Realized(\$)</u>	<u>Number of Securities Underlying Unexercised Options at Year-End (#)</u>		<u>Value of Unexercised In-the-Money Options at Year-End (\$) <sup>(1)</sup></u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Eric J. Crown	112,498	\$ 2,247,214	0	283,124	\$ 0	\$ 5,593,755
Timothy A. Crown	112,498	\$ 2,242,272	0	283,124	\$ 0	\$ 5,593,755
Stanley Laybourne	139,497	\$ 2,984,982	0	176,873	\$ 0	\$ 3,262,136
Michael A. Gumbert	120,002	\$ 2,601,106	0	182,497	\$ 0	\$ 3,446,450
Branson M. Smith	58,119	\$ 1,238,129	0	154,379	\$ 0	\$ 2,748,894

<sup>(1)</sup> Value as of December 31, 1999 is based upon the closing price on that date as reported on the Nasdaq National Market minus the exercise price, multiplied by the number of shares underlying the option.

## Employment Contracts, Termination of Employment and Change-of-Control Arrangements

The Company has entered into employment agreements with five of its Named Executive Officers. The agreements provide for base salaries and incentive bonuses and contain non-competition and change of control provisions. The Board of Directors approved, based upon the Compensation Committee's recommendation, the base salaries and incentive bonuses for Eric J. Crown, Timothy A. Crown and Stanley Laybourne for an initial period of two years, effective July 1, 1997. These agreements contain provisions that constantly renew the agreement for additional two year terms.

The base salaries for Eric J. Crown, Timothy A. Crown and Stanley Laybourne are set at \$250,000, \$250,000 and \$190,000, respectively. Messrs. Crown, Crown and Laybourne are entitled to receive an incentive bonus, payable quarterly, under their respective agreements equal to 2.5%, 2.5% and 0.5%, respectively, of the Company's net earnings (before deducting the incentive bonuses) provided that the Company's net earnings exceed stated minimum amounts. These incentive bonuses are paid in the form of either cash or restricted stock at the election of the officer. The restricted stock vests quarterly over three years, subject to acceleration in certain circumstances and unvested shares are forfeited if the recipient ceases to be an employee of the Company.

Eric J. Crown, the Company's Co-Chief Executive Officer, approved the base salaries and incentive bonuses for Michael A. Gumbert and Branson M. Smith for an initial period of two years effective July 1, 1999. These agreements contain provisions that constantly renew the agreement for additional two year terms. The base salaries for Michael A. Gumbert and Branson M. Smith are set at \$215,000 and \$200,000, respectively. Messrs. Gumbert and Smith are entitled to receive an incentive bonus, payable quarterly, for the period under their agreement based on a percentage of net earnings (before deducting the incentive bonuses) of their respective subsidiaries provided that the Company's net earnings exceed stated minimum amounts and provided further that the incentive bonus for the fiscal year ending December 31, 1999 shall not exceed 270% of Executive's annual Base Salary for that fiscal year, but such limitation shall not be applicable thereafter.

The agreements for Messrs. Crown, Crown and Laybourne contain Change-of-Control (as defined) and non-compete provisions that, upon a Change-of-Control, could result in payments to these individuals equal to three times their base salary and an incentive bonus for the preceding four quarters (all payments are to be grossed up for the individuals' taxes) and could accelerate the vesting of all outstanding stock options and restricted stock. The agreements for Michael A. Gumbert and Branson M. Smith contain the same provisions except their payment could be two times their base salary and incentive bonus for the preceding quarters four quarters, if a Change-of-Control did occur.

The agreements for Messrs. Crown, Crown, Laybourne, Gumbert and Smith provide that the individuals will receive certain benefits if their employment is terminated without cause. In the event an agreement is terminated without cause, the individual executive shall receive a lump sum distribution consisting of (i) the total amount of his base salary for the remainder of the agreement term, and (ii) the total amount of incentive compensation payments, calculated based on a defined formula, as if the executive had not been terminated.

The Compensation Committee and the Co-Chief Executive Officers commissioned KPMG LLP, in 1997, and Hewitt Associates, in 1999, to analyze and review the competitiveness of executive compensation. The analyses have provided the basis for recommendations and approvals with respect to the terms and provisions included in the current executive employment agreements. The analyses provided information regarding "peer" compensation levels and long-term incentive compensation obtained from publicly held company reports and SEC filings, executive compensation surveys and other relevant sources. The Compensation Committee and the Co-Chief Executive Officers considered all such factors in their decision to adopt the related agreements. The Co-Chief Executive Officers as well as the Compensation Committee had separate meetings with KPMG LLP and Hewitt Associates to review their findings. The Compensation Committee believes that the agreements provide appropriate compensation for the individuals.

## **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

The Compensation Committee of the Board of Directors (the "Committee") is charged with:

- (1) reviewing and approving the annual salary, bonus and other benefits including perquisites and personal benefits, to be paid or awarded to the Company's executive officers;
- (2) reviewing and recommending to the Board of Directors new compensation and stock plans and changes to existing plans; and
- (3) administering the incentive compensation plans, stock option and other stock-based plans, and other employee benefit plans of the Company and its subsidiaries.

The Committee currently makes compensation decisions with respect to Eric J. Crown, Timothy A. Crown and Stanley Laybourne, but not with respect to Michael A. Gumbert and Branson M. Smith. The Compensation Committee has delegated its authority to make compensation decisions to Eric J. Crown, the Company's Co-Chief Executive Officer, with respect to Messrs. Gumbert, Smith and all others. The Committee currently is comprised of Larry A. Gunning and Robertson C. Jones, each of whom is a non-employee director.

The Compensation Committee and the Co-Chief Executive Officers commissioned KPMG LLP, in 1997, and Hewitt Associates, in 1999, to analyze and review the competitiveness of executive compensation. The analyses have provided the basis for recommendations and approvals with respect to the terms and provisions included in the current executive employment agreements. The analyses provided information regarding “peer” compensation levels and long-term incentive compensation obtained from publicly held company reports and SEC Filings, executive compensation surveys and other relevant sources. The Co-Chief Executive Officers as well as the Compensation Committee had separate meetings with KPMG LLP and Hewitt Associates to review their findings. The Compensation Committee and the Co-Chief Executive Officers considered all such factors when setting executive compensation.

### **Compensation Philosophy**

The general philosophy of the Company's executive compensation program is to place base salaries below the marketplace while bonuses and equity incentives offer the executive compensation that is at least competitive in the marketplace. Bonuses, including equity incentives are based upon the Company's performance and/or the employee's individual contribution and performance. The Company's executive compensation policies are intended to motivate and reward executives for long-term strategic management and the enhancement of stockholder value through cash payments (salary and bonus) and equity incentives (in the form of stock options and restricted stock). The ultimate goal of the Committee in its administration of the Company's executive compensation program is to ensure that the Company attracts and retains highly qualified managers through competitive salary and benefit programs and encourages extraordinary effort on the part of management through well-designed incentive opportunities.

### **Base Salary**

In 1999, the base salaries for Eric J. Crown, Timothy A. Crown, Stanley Laybourne, Michael A. Gumbert and Branson M. Smith were set at \$250,000, \$250,000, \$190,000, \$215,000 and \$200,000, respectively. Additionally, Messrs. Crown, Crown and Laybourne are entitled to receive an incentive bonus, payable quarterly, based on a percentage of the Company's net earnings (before deducting the incentive bonuses) and Messrs. Gumbert and Smith are entitled to receive an incentive bonus, payable quarterly, based on a percentage of net earnings (before deducting the incentive bonuses), of Insight Direct Worldwide, Inc., and Direct Alliance Corporation, respectively (subsidiaries of the Company), provided that the Company's net earnings exceed stated minimum amounts.

### **Cash Bonuses and Restricted Stock Bonuses**

The Company views bonuses for executive officers as an opportunity to tie a portion of an executive officer's compensation to the financial performance of the Company. These bonuses may be paid with restricted stock instead of cash. Such restricted stock vests quarterly over three years and unvested shares are forfeited if the recipient ceases to be an employee of the Company. The vesting of such shares accelerates in the event that the Company's stock closes at or above a certain price, ranging from \$44 to \$66. Messrs. Crown, Crown and Laybourne received restricted stock for 1999, in lieu of cash bonuses. Messrs. Gumbert and Smith received restricted stock for the first and second quarters and cash for the third and fourth quarters of 1999. During 1999, cash bonuses were earned by the Company's Named Executive Officers as follows: Michael A. Gumbert - \$360,545; and Branson M. Smith - \$65,038.

During 1999, the number of restricted shares earned by the Company's Named Executive Officers were as follows: Eric J. Crown – 30,859 shares; Timothy A. Crown – 30,859 shares; Stanley Laybourne – 6,173 shares; Michael A. Gumbert – 4,491 shares; and Branson M. Smith - 1,793 shares.

## **Stock Incentives**

In 1994, the Company's Board of Directors adopted, and the Company's private stockholders approved, the 1994 Stock Option Plan (the "1994 Option Plan") under which incentive stock options and nonqualified stock options may be granted to executive officers, other key employees, non-employee directors and consultants. In 1997, the Company's Board of Directors adopted, and the Company's stockholders approved, the Company's 1998 Long-Term Incentive Plan (the "LTIP") under which a variety of stock-based awards may be granted to officers, employees, directors, and consultants or independent contractors, including officers who are also directors of the Company and its subsidiaries. Stock-based compensation is viewed as a critical component of the Company's overall executive compensation program because it ties directly an executive's compensation to the value realized by the Company's stockholders, and because it permits the Company to recruit and retain top talent.

During 1999, stock options to purchase a total of 540,000 shares of Company Common Stock were granted to the Company's Named Executive Officers as follows: Eric J. Crown – 120,000 shares; Timothy A. Crown – 120,000 shares; Stanley Laybourne – 100,000 shares; Michael A. Gumbert – 100,000 shares; and Branson M. Smith – 100,000 shares.

All of the options granted during 1999 to Named Executive Officers vest equally on each of the first three anniversaries of the date of grant, provided the officer is still an employee of the Company. The Company believes that staged vesting provides an incentive for key executives to remain at the Company for at least three years and promotes continuity of a successful management team. All of the options were granted with an exercise price equal to the market value of the Company's Common Stock at the close of trading on the date of grant, thus serving to focus the officer's attention on managing the Company from the perspective of an owner with an equity stake in the business.

### **Section 162(m)**

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation over \$1 million paid to the Chief Executive Officer and any other executive officer whose compensation is required to be reported in the Summary Compensation Table. Qualified performance-based compensation will not be subject to the deduction limit if certain conditions are met. It is the Committee's intent to evaluate and, to the extent consistent with its other compensation objectives and overall compensation philosophy, take the steps necessary to satisfy those conditions in order to preserve the deductibility of executive compensation. Nevertheless, the Company may not be able to preserve deductibility of executive compensation recognized in connection with the exercise of certain options that have been granted to covered executive officers. Specifically, compensation resulting from the exercise of options granted to a covered executive officer under the 1994 Option Plan will not qualify for deductibility to the extent that the total of the base salary, bonuses and compensation from such option exercise received by any covered executive officer exceeds \$1 million in any taxable year.

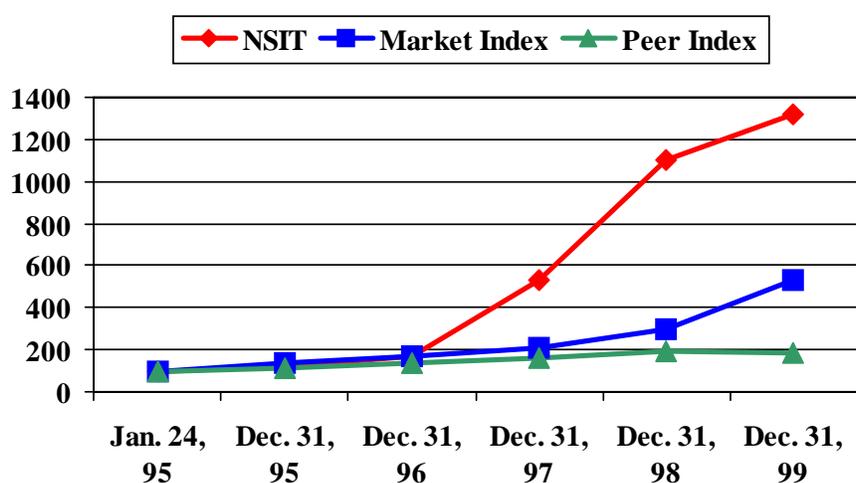
#### **COMPENSATION COMMITTEE:**

Larry A. Gunning      Robertson C. Jones

## STOCK PRICE PERFORMANCE GRAPH

Set forth below is a graph comparing the percentage change in the cumulative total stockholder return on the Company's Common Stock (NSIT) with the cumulative total return of the Nasdaq Stock Market U.S. Companies (Market Index) and the Nasdaq Retail Trade Stocks (Peer Index) for the period commencing January 24, 1995 (the date on which trading in the Company's Common Stock commenced) and ended December 31, 1999. The graph assumes that \$100 was invested on January 24, 1995 in Insight Common Stock and in each of the two Nasdaq indices, and that, as to such indices, dividends were reinvested. The Company has not, since its inception, paid any cash dividends on the Common Stock.

Historical stock price performance shown on the graph is not necessarily indicative of future price performance.



	<u>Jan. 24,</u> <u>1995</u>	<u>Dec. 31,</u> <u>1995</u>	<u>Dec. 31,</u> <u>1996</u>	<u>Dec. 31,</u> <u>1997</u>	<u>Dec. 31,</u> <u>1998</u>	<u>Dec. 31,</u> <u>1999</u>
Insight Enterprises, Inc. Common Stock (NSIT)	\$100.0	\$120.5	\$269.9	\$531.3	\$1,103.3	\$1,321.5
Nasdaq Stock Market U.S. Companies (Market Index)	\$100.0	\$139.1	\$171.2	\$209.7	\$ 295.5	\$ 533.9
Nasdaq Retail Trade Stocks (Peer Index)	\$100.0	\$112.5	\$134.2	\$157.6	\$ 191.7	\$ 185.4

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Under the securities laws of the United States, the Company's directors, executive officers, and any persons holding more than 10% of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Company is required to disclose any failure to file by these dates. Based upon a review of such reports furnished to the Company, or written representations that no reports were required, the Company believes that all of these filing requirements were satisfied during the year ended December 31, 1999.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock, as of December 31, 1999, by (i) each person or entity known to the Company to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each of the Company's directors, (iii) each of the Named Executive Officers, and (iv) all directors and executive officers of the Company as a group.

<u>Name</u> <sup>(1)</sup>	<u>Shares of Common Stock Beneficially Owned</u> <sup>(2)</sup>	
	<u>Number of Shares</u>	<u>Percent</u>
AIM Management Group, Inc.	2,027,326 <sup>(3)</sup>	7.6%
Janus Capital Corporation	1,941,066 <sup>(4)</sup>	7.2%
Eric J. Crown	1,315,335,161 <sup>(5)</sup>	4.95.0%
Timothy A. Crown	1,214,234,935 <sup>(6)</sup>	4.56%
Stanley Laybourne	31,971 <sup>(7)</sup>	*
Robertson C. Jones	27,000 <sup>(8)</sup>	*
Michael A. Gumbert	25,741 <sup>(9)</sup>	*
Larry Gunning	8,439 <sup>(10)</sup>	*
Branson M. Smith	2,583 <sup>(11)</sup>	*
All directors and executive officers as a group (7 persons)	2,625,645,830 <sup>(12)</sup>	9.89%

\* Less than 1%

- (1) The address of Messrs. Crown, Crown, Laybourne, Gumbert, Smith, Gunning and Jones is c/o Insight Enterprises, Inc., 1305 West Auto Drive, Tempe, Arizona, 85284.
- (2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission ("SEC") and generally includes voting or investment power with respect to securities. In accordance with SEC rules, shares which may be acquired upon exercise of stock options which are currently exercisable or which become exercisable within 60 days of the date of the information in the table are deemed to be beneficially owned by the optionee. Except as indicated by footnote, and subject to community property laws where applicable, to the Company's knowledge the persons or entities named in the table above have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them.
- (3) Number of shares based on the stockholder's 13G filing for December 31, 1999. The address of AIM Management Group, Inc. is 1315 Peachtree Street, N.E., Atlanta, Georgia 30309. The information contained in this section was obtained from a Schedule 13G filed February 4, 2000 by AIM Management Group, Inc. with the Securities Exchange Commission. The Company makes no representation as to the accuracy or completeness of the information reported.
- (4) Number of shares based on the stockholder's 13G filing for December 31, 1999. The address of Janus Capital Corporation is 100 Fillmore Street, Denver, Colorado 80206-4923. The information contained in this section was obtained from a Schedule 13G filed February 15, 2000 by Janus Capital Corporation with the Securities Exchange Commission. The Company makes no representation as to the accuracy or completeness of the information reported.
- (5) Includes 20,000 shares held by a charitable foundation over which Messrs. Crown and Crown have shared voting and investment power. 337 shares beneficially owned by Mr. Crown's spouse and 59 shares held in the Company's 401(k) Plan.
- (6) Includes 20,000 shares held by a charitable foundation over which Messrs. Crown and Crown have shared voting and investment power and 39 shares held in the Company's 401(k) Plan.
- (7) Includes 38 shares held in the Company's 401(k) Plan.
- (8) Consists of 25,312 shares subject to options exercisable within 60 days of December 31, 1999 and 1,688 shares held in the name of a family trust.
- (9) Includes 5,622 shares subject to options exercisable within 60 days of December 31, 1999, and 71 shares held in the Company's 401(k) Plan.
- (10) Consists of 8,439 shares subject to options exercisable within 60 days of December 31, 1999.
- (11) Includes 39 shares held in the Company's 401(k) Plan.
- (12) Includes 20,000 shares held by a charitable foundation over which Messrs. Crown and Crown have shared voting and investment power. 39,373 shares subject to options exercisable within 60 days of December 31, 1999, and 246 shares held in the Company's 401(k) Plan.

## **PROPOSAL NO. 2**

### **APPROVAL OF AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION**

#### **Description of Proposed Amendment**

The Board of Directors has approved, and recommends that the stockholders approve, an amendment to Article 4 of the Company's Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") increasing the total authorized number of shares of Common Stock, \$.01 par value per share, from 30,000,000 to 100,000,000. The full text of the proposed amendment to the Amended and Restated Certificate of Incorporation is set forth in Appendix A to this Proxy Statement. If adopted by the stockholders, the amendment will become effective upon filing of an appropriate certificate with the Secretary of State of Delaware.

#### **Purposes and Effects of Proposed Amendment**

The proposed amendment would increase the number of shares of Common Stock which the Company is authorized to issue from 30,000,000 to 100,000,000. The additional shares of Common Stock authorized by the proposed amendment will have the same rights and privileges as the shares of Common Stock currently authorized.

At March 15, 2000, 26,904,269 shares of Common Stock were issued and outstanding, and 5,260,631 shares of Common Stock were reserved for issuance under the Company's stock option and benefit plans. The Board of Directors recommends increasing the number of authorized common shares because, under certain circumstances, the Company may not be able to issue additional shares of Common Stock if necessary for mergers or acquisitions, financing transactions, stock splits or for other corporate purposes without first obtaining the approval of its stockholders. The Company has split its Common Stock several times, most recently in the first quarter of 1999, by means of a stock dividend, resulting in the issuance of additional shares of Common Stock. The proposed increase in the number of authorized shares of Common Stock affords the Company flexibility to take advantage of business and financial opportunities without the delay and expense of seeking stockholders approval for the authorization of additional stock.

If this proposal is approved, all or any of the authorized shares of Common Stock may be issued without further action by the stockholders, unless such approval is required by applicable law or regulatory authorities, and without first offering such shares to the stockholders for subscription. Therefore, the issuance of additional shares of Common Stock might dilute, under certain circumstances, the ownership and voting rights of existing stockholders.

Except for the possibility of issuing new shares of Common Stock under the Company's stock option or benefit plans and under "earn-out" provisions pursuant to the Company's recent acquisitions, the Company has no present arrangements, commitments, understandings or pending negotiations to issue shares of newly authorized Common Stock.

The Company has not proposed the increase in the authorized number of shares of Common Stock with the intention of using the additional shares for anti-takeover purposes, although the Company could theoretically use the additional shares to make more difficult or to discourage an attempt to acquire control of the Company. The Company is not aware of any pending or threatened efforts to acquire control of the Company.

## **Required Vote**

Approval of the proposal to increase the number of authorized shares of Common Stock by amending the Company's Amended and Restated Certificate of Incorporation requires the affirmative vote of a majority of the shares outstanding on the Record Date. Votes may be cast FOR or AGAINST the proposal, and stockholders may also ABSTAIN from voting on the proposal. Abstentions and broker non-votes will be counted as present or represented for purposes of determining both the presence or absence of a quorum and the number of shares outstanding and entitled to vote. However, because shares represented by abstentions or broker non-votes are considered outstanding, as a practical matter, abstentions and broker non-votes will have the same effect as a vote AGAINST the proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE PROPOSED AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE TOTAL NUMBER OF AUTHORIZED SHARES OF COMMON STOCK TO 100,000,000.**

## PROPOSAL NO. 3

### AMENDMENTS TO INSIGHT ENTERPRISES, INC. 1998 LONG-TERM INCENTIVE PLAN

#### General

The Company seeks stockholder approval of amendments (the “Amendments”) to the Insight Enterprises, Inc. 1998 Long-Term Incentive Plan (the “Plan”) increasing the number of shares of Common Stock authorized for issuance thereunder to 4,000,000, subject to the ability of the Board of Directors to increase such amount without further stockholder approval provided that the aggregate number of shares of stock reserved for grant under the Plan shall be limited to an amount such that the number of shares of stock remaining available for grant under the Plan (and any other option plan sponsored by the Company) plus the number of shares of stock granted but not yet exercised (under the Plan and any other option plan sponsored by the Company) may not exceed twenty percent (20%) of the outstanding shares of stock of the Company, and to make certain other changes. The closing price for the Common Stock on March 15, 2000, as reported on Nasdaq, was \$26.02.

The Plan promotes the success and enhances the value of the Company by:

- linking the personal interests of participants to those of the Company’s stockholders,
- providing participants with an incentive for outstanding performance, and
- providing flexibility in motivating, attracting, and retaining the services of officers, employees, directors, and consultants or independent contractors upon whose judgment, interest, and special effort the successful conduct of the Company’s business is largely dependent.

The Company’s Board of Directors recommends the stockholders approve the Amendments. The Plan was originally adopted in October 1997. A copy of the proposed Amendments as proposed herein are set forth as Appendix B.

#### Plan Provisions

The Plan authorizes grants of incentive stock options (“ISOs”), non-qualified stock options (“NQSOs”), stock appreciation rights (“SARs”), performance shares, restricted stock and performance-based awards to officers, employees, directors, and consultants or independent contractors. A total of 2,350 individuals are currently eligible to participate in the Plan. The maximum number of shares of Stock that may be issued under the Plan as ISOs shall be 3,000,000.

The Plan is administered by the Compensation Committee of the Board of Directors. Except as provided below, the Compensation Committee has the exclusive authority to administer the Plan, including the power to determine eligibility, the types of awards to be granted, the price and the timing of awards. The Plan does, however, provide that the Company’s Co-Chief Executive Officer has the authority to grant awards to any individual (other than the three highest-ranking executives of the Company) and provides further that any grant to an individual who is subject to Section 16 of the Securities Exchange Act of 1934 may not be exercisable for at least six months from the date of grant.

## **Incentive Stock Options**

ISOs are stock options that satisfy the requirements specified in Section 422 of the Internal Revenue Code, as amended (the “Code”). Under the Code, ISOs may only be granted to employees. In order for an option to qualify as an ISO, the price payable to exercise the option must equal or exceed the fair market value of the underlying stock at the date of the grant, the option must lapse no later than ten (10) years from the date of the grant, and the stock subject to ISOs that are first exercisable by an employee in any calendar year must not have a value of more than \$100,000 as of the date of grant. Certain other requirements must also be met.

An employee will not recognize taxable income upon either the grant of an ISO or upon the exercise of an ISO. However, the difference between the exercise price and the fair market value of the stock at the time of exercise is an item of tax preference at the time of exercise in determining liability for the alternative minimum tax, assuming that the Common Stock is either transferable or is not subject to a substantial risk of forfeiture under Section 83 of the Code.

If Common Stock acquired by the exercise of an ISO is not sold or otherwise disposed of within two years from the date of its grant and is held for at least one year after the date of exercise, such disposition is treated as long-term capital gain or loss. If such Common Stock is disposed of before the expiration of the above-mentioned holding periods, a “disqualifying disposition” occurs. If a disqualifying disposition occurs, the employee realizes ordinary income in the year of the disposition in an amount equal to the difference between the fair market value of the Common Stock on the date of exercise and the exercise price, or the selling price of the Common Stock and the exercise price, whichever is less. The balance of the employee’s gain on a disqualifying disposition, if any, is taxed as capital gain.

The Company is not entitled to any tax deduction as a result of the grant or exercise of an ISO, or on a later disposition of the Common Stock received, except in the event of a disqualifying disposition, the Company is entitled to a deduction equal to the amount of ordinary income realized by the employee.

## **Non-Qualified Stock Options**

A NQSO is any stock option other than an ISO. Such options are referred to as “non-qualified” because they do not meet the requirements of and are not eligible for the favorable tax treatment provided by Section 422 of the Code.

If an employee is granted a NQSO, the grant itself typically does not produce any taxable income for the employee, and the Company is not entitled to a deduction at that time. On the date the NQSO is exercised, the employee recognizes ordinary income in an amount equal to the difference between the fair market value of the underlying stock at the date of exercise and the exercise price. The Company generally is entitled to a corresponding deduction in the same amount and in the same year in which the employee recognizes such income.

When an employee sells the stock acquired upon the exercise of an NQSO, the employee recognizes capital gain equal to the difference between the sales price of the stock and the fair market value of the stock as of the date of the exercise. If the employee holds the stock for more than one (1) year following the exercise of the option, the gain is treated as long-term capital gain.

## **Stock Appreciation Rights**

A SAR is the right granted to an employee to receive the appreciation in the value of a share of Common Stock over a certain period of time. Under the Plan, the Company may pay that amount in cash, Common Stock, or a combination of both.

If an employee receives the appreciation inherent in the SARs in cash, the cash is compensation income taxable to the employee. If the employee receives the appreciation in the form of Common Stock, the stock received is taxable to the employee in an amount equal to its fair market value. The Company is entitled to receive a deduction in an amount equal to that taxable to the employee in the year in which the employee recognizes taxable income with respect to the SAR.

## **Performance Shares**

Under the Plan, the Company may grant performance share units to an eligible employee. Typically, each performance share unit will be deemed to be the equivalent of one share of Common Stock. An award of a performance share does not entitle an employee to any ownership, dividend, voting, or other rights of a stockholder until distribution is made in Common Stock, if the award is paid in stock. The value of the employee's performance share units generally is measured by the fair market value of an equivalent number of shares of Common Stock. At the end of the performance period, if the employee has satisfied certain performance criteria established by the Compensation Committee, the employee will be entitled to a payment equal to the difference between the value of the performance share units on the date of grant and the value of such units at the end of the performance period. The award may be payable in cash, Common Stock, or property.

An employee who has been granted a performance share award will not realize taxable income at the time of grant and the Company is not entitled to a deduction at that time. However, the employee will recognize income in the year the award is paid in an amount equal to the amount of cash and the fair market value of the Common Stock issued to the employee. The Company generally is entitled to a corresponding deduction at the same time.

## **Restricted Stock Awards**

Under the restricted stock feature of the Plan, an eligible employee may be granted a specified number of shares of the Company's Common Stock. However, vested rights to such stock are subject to certain restrictions or are conditioned on the attainment of certain goals. If the employee violates any of the restrictions during the period specified by the Compensation Committee or the goals are not met, the stock is forfeited.

In the year in which the applicable restrictions lapse or the applicable goal is satisfied, an employee will include in taxable income the excess of the fair market value of restricted stock received over the amount, if any, paid for the restricted stock. The Company is entitled to a corresponding deduction at the same time.

Instead of postponing the tax consequences of a restricted stock award until the applicable restrictions lapse or until the applicable goal is satisfied, an employee may elect to include the fair market value of the stock in income in the year the award is granted by filing an appropriate election with the Internal Revenue Service within thirty (30) days of grant. This election is made under Section 83(b) of the Code.

## **Performance-Based Awards**

Grants of performance-based awards under the Plan enable the Compensation Committee to treat restricted stock and performance share awards granted under the Plan as “performance-based compensation” under Section 162(m) of the Code and preserve the deductibility of these awards for Federal income tax purposes. Because Section 162(m) of the Code only applies to those employees who are “covered employees,” as defined in Section 162(m) of the Code, only covered employees are eligible to receive performance-based awards.

Participants for any given performance period are only entitled to receive payment for a performance-based award for such period to the extent that pre-established performance goals set by the Compensation Committee of the period are satisfied. These pre-established performance goals must be based on one or more of the following performance criteria: pre- or after-tax net earnings, sales growth, operating earnings, operating cash flow, return on net assets, return on stockholders’ equity, return on assets, return on capital, share price growth, stockholder returns, gross or net profit margin, earnings per share, price per share, and market share. These performance criteria may be measured in absolute terms or as compared to any incremental increase or as compared to results of a peer group. With regard to a particular performance period, the Compensation Committee shall have the discretion to select the length of the performance period, the type of performance-based awards to be granted, and the goals that will be used to measure the performance for the period. In determining the actual size of an individual performance-based award for a performance period, the Compensation Committee may reduce or eliminate (but not increase) the award. Generally, a participant will have to be employed on the last day of the performance period in order to be eligible for a performance-based award for that period.

### **Section 162(m)**

Section 162(m) of the Code generally limits, to \$1 million, the amount that can be deducted by a publicly-held corporation for compensation paid to any “covered employee” in any taxable year. The term “covered employee” for this purpose is defined generally as the chief executive officer and the four other highest paid employees of the corporation. Performance-based compensation is outside the scope of the \$1 million limitation and, generally can be claimed by a publicly held corporation without regard to amount, provided that among other requirements, such compensation is approved by the Company’s stockholders. Among the items of performance-based compensation that can be deducted without regard to amount (assuming stockholder approval and other applicable requirements are satisfied) is compensation associated with the exercise price of a stock option so long as the option has an exercise price equal to or greater than the fair market value of the underlying stock at the date of the option grant. The Company anticipates that all options granted under the Plan will have an exercise price at least equal to the fair market value of the underlying stock on the date of grant.

Of the shares of Common Stock available for awards under the Plan, the maximum number that may be awarded annually to any one participant as awards of ISOs, NQSOs, performance shares, restricted stock, or any combination of each, is 500,000 shares (as the Plan is proposed to be Amended). In the event the performance-based award is payable in cash, the maximum amount is determined by multiplying 500,000 (as adjusted for stock splits) by the fair market value of the Common Stock as of the date the performance-based award is granted.

## **Change of Control**

In the event of a tender for all or any portion of the Company's Common Stock, or in the event a proposal to merge, consolidate, or otherwise combine with another company is submitted to the Company's stockholders for approval, the ISOs or NQSOs previously granted under the Plan become immediately exercisable.

Upon the occurrence of a Change of Control (as defined in the Plan), all outstanding awards granted under the Plan become fully exercisable and all restrictions on outstanding awards shall lapse. The Plan defines a "Change of Control" to include (i) when the individuals who, at the beginning of any period of two years or less, constituted the Board cease, for any reason, to constitute at least a majority of the Board, unless the election (or nomination) for each new director was approved by at least two-thirds of the directors then still in office who were directors at the beginning of the period; (ii) a change of control through a transaction or series of transactions, such that any person (excluding affiliates of the Company as of October 30, 1997) is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 30% or more of the combined voting power of the Company's then outstanding securities; (iii) any consolidation or liquidation of the Company in which the Company is not the continuing or surviving corporation or pursuant to which the Company's Common Stock would be converted into cash, securities or other property, other than a merger of the Company in which the holders of the Company's Common Stock immediately before the merger have same proportionate ownership of Common Stock of the surviving corporation immediately after the merger; (iv) the stockholders' approval of any plan or proposal for the liquidation or dissolution of the Company; or (v) the sale or other transfer of substantially all of the assets of the Company to parties that are not within a controlled group of corporations in which the Company is a member.

## **Amendment and Termination**

The Compensation Committee, subject to the approval of the Board, may terminate, amend or modify the Plan at any time; provided, however, that shareholder approval must be obtained for any amendment to the extent necessary to comply with any applicable law, regulation or rule.

No termination, amendment, or modification of the Plan shall adversely affect in any material way any award previously granted under the Plan, without the written consent of the participant.

## **Plan Benefits**

The following table sets forth grants of options made under the Plan during 1999 to:

- each of the Named Executive Officers identified above,
- all current executive officers as a group,
- all current directors who are not executive officers, as a group, and
- all employees, including all current officers who are not executive officers, as a group.

Grants under the Plan are made at the discretion of the Compensation Committee. Accordingly, future grants under the Plan are not yet determinable. The following table shows grants made under the Plan in 1999.

## 1998 Long-Term Incentive Plan

<u>Name and Position</u>	<u>Securities Underlying Options Granted (#)</u>	<u>Weighted Average Exercise Price of Options Granted (\$)</u>
Eric J. Crown Chairman of the Board of Directors and Co-Chief Executive Officer	120,000	\$ 28.74
Timothy A. Crown Co-Chief Executive Officer, President and Director	120,000	\$ 28.74
Stanley Laybourne Chief Financial Officer, Secretary, Treasurer and Director	100,000	\$ 27.06
Michael A. Gumbert President of Insight Direct Worldwide, Inc.	100,000	\$ 27.06
Branson M. Smith President of Direct Alliance Corporation	100,000	\$ 27.06
Executive Officer Group	540,000	\$ 27.81
Non-Executive Director Group	10,124	\$ 27.00
Non-Executive Employee Group	390,032	\$ 24.59

### Proposed Amendments to Plan

The Board of Directors has reviewed the number of shares currently remaining in the pool for the Plan and has determined that it is appropriate to increase the number of shares authorized for issuance under the Plan. As of March 15, 2000, (i) 889,062 shares have been issued upon exercise of options or as restricted stock and are included in the total number of shares of outstanding Common Stock and (ii) option grants representing 2,537,601 shares were outstanding under the Plan. There are only options to purchase 409,074 shares of Common Stock available under the Plan. The Board believes that an increase in the number of authorized shares is necessary for the continued optimal use of the Plan. In addition, the maximum number of options that may be granted as ISOs and the maximum number of shares that may be issued to any one individual during a year are being increased as well. Therefore, the Board is proposing Amendments to the Plan increasing (i) the number of shares authorized for issuance under the Plan to 4,000,000, (ii) the maximum number of options that may be granted as ISOs under the Plan to 3,000,000, and (iii) the maximum number of shares of common stock that may be granted to any individual during any calendar year from 225,000 to 500,000.

In addition, the Plan, prior to the Amendment, provides that for each year an additional one to four percent of the outstanding shares of Common Stock of the Company, in the Board's discretion, may be reserved for issuance under the Plan, subject to quarterly increases to account for additional outstanding shares. The Amendment, in addition to increasing the number of shares authorized under the Plan, also provides that the Board may reserve, from time to time, additional shares of stock for grant under the Plan, in its discretion. However, the aggregate number of shares of stock reserved for grant under the Plan is limited to the following, which in the aggregate may not exceed twenty percent (20%) of the outstanding shares of stock of the Company:

- the number of shares of our Common Stock available for grant under the Plan and any other option plan sponsored by the Company, and
- the number of shares of our Common Stock granted, but not yet exercised or cancelled, under the Plan and any other option plan sponsored by the Company.

The Amendments, if approved by stockholders, would be effective as of March 13, 2000, the date of the Board's approval of the Amendments.

### **Required Vote**

Approval of the Amendments to the Plan requires the affirmative vote of a majority of shares present, in person or by proxy, and entitled to vote on the proposal, provided that a quorum is present. Votes may be cast FOR or AGAINST the proposal, and stockholders may also ABSTAIN from voting on the proposal. Abstentions will be counted as present or represented for purposes of determining both the presence or absence of a quorum and the number of shares entitled to vote on the proposal and as a practical matter will have the same effect as a vote AGAINST the proposal. Broker non-votes will be counted as present or represented for purposes of determining the presence or absence of a quorum but will not be counted for purposes of determining the number of shares entitled to vote on the proposal. The practical effect of broker non-votes is to reduce the number of affirmative votes required to achieve a majority for the proposal by reducing the total number of shares from which the majority is calculated.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ADOPTION OF THE AMENDMENTS TO THE 1998 LONG-TERM INCENTIVE PLAN.**

## **RELATIONSHIP WITH INDEPENDENT AUDITORS**

The principal independent accounting firm utilized by the Company during the year ended December 31, 1999 was KPMG LLP, independent certified public accountants. KPMG LLP has audited the Company's financial statements annually since 1988. It is contemplated that KPMG LLP will be retained as the principal accounting firm to be utilized by the Company during 2000. A representative of KPMG LLP is expected to be present at the Annual Meeting for the purpose of responding to appropriate questions and will be given the opportunity to make a statement if he or she desires to do so.

## **STOCKHOLDER PROPOSALS**

Proposals of stockholders of the Company which are intended to be presented by such stockholders at the Company's 2001 Annual Meeting must be received by the Company no later than December 15, 2000 in order that they may be considered for inclusion in the proxy statement and form of proxy relating to that meeting. Stockholders who intend to present a proposal at the 2001 Annual Meeting of Stockholders without inclusion of such proposal in the Company's proxy materials are required to provide notice of such proposal to the Company no later than March 6, 2001. The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements. Proposals should be addressed to the Secretary of the Company at 1305 West Auto Drive, Tempe, Arizona 85284.

## **OTHER MATTERS**

The Company knows of no other matters to be brought before the Annual Meeting. If any other matter properly comes before the Annual Meeting, it is the intention of the persons named in the enclosed proxy card to vote the shares represented by the proxies as the Board of Directors may recommend.

The foregoing Notice and Proxy Statement are sent by order of the Board of Directors.

INSIGHT ENTERPRISES, INC.

March 31, 2000

Stanley Laybourne  
Secretary, Treasurer  
and Chief Financial Officer

**APPENDIX A**

**ARTICLE 4 OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF  
INSIGHT ENTERPRISES, INC.**

**(AS PROPOSED TO BE AMENDED)**

4. Authorized Capital. The total number of shares of stock which the Corporation shall have authority to issue is 103,000,000 shares, consisting of 100,000,000 shares of common stock having a par value of \$.01 per share (the "Common Stock") and 3,000,000 shares of preferred stock having a par value of \$.01 per share (the "Preferred Stock").

The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of this Article 4, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;
- (f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;
- (g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and
- (h) Any other relative rights, preferences and limitations of that series.

## APPENDIX B

### AMENDMENT TO THE INSIGHT ENTERPRISES, INC. 1998 LONG-TERM INCENTIVE PLAN

#### (AS PROPOSED)

Insight Enterprises, Inc. (the "Company") previously adopted the Insight Enterprises, Inc. 1998 Long-Term Incentive Plan (the "Plan"). By this instrument, the Company desires to amend the Plan as set forth below.

1. This Amendment shall amend only those provisions specified herein and those provisions not amended hereby shall remain in full force and effect.

2. Section 5.1 of the Plan is hereby amended and restated in its entirety as follows:

"5.1. NUMBER OF SHARES. Subject to adjustment provided in Section 13.1, the aggregate number of shares of Stock reserved and available for grant under the Plan shall be 4,000,000. In addition, the Board may reserve additional shares of stock for grant under the Plan, in its discretion, from time to time; provided, the aggregate number of shares of Stock reserved for grant under the Plan shall be limited to an amount such that the number of shares of Stock remaining available for grant under the Plan (and any other option plan sponsored by the Company) plus the number of shares of Stock granted but not yet exercised (under the Plan and any other option plan sponsored by the Company) shall not exceed twenty percent (20%) of the outstanding shares of Stock of the Company. Notwithstanding the above, the maximum number of shares of Stock that may be issued under the Plan as ISOs shall be 3,000,000."

3. Section 5.4 of the Plan is hereby amended and restated in its entirety as follows:

"5.4. LIMITATION ON NUMBER OF SHARES SUBJECT TO AWARDS. Notwithstanding any provision in the Plan to the contrary, and subject to the adjustment in Section 13.1, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant during the Company's fiscal year shall be 500,000. "

4. This Amendment shall be effective as of the date adopted by the Company's Stockholders.