

INSIGHT ENTERPRISES INC

Form DEF 14A

March 27, 2003

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**SCHEDULE 14A INFORMATION**  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. \_\_)

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Proxy Statement
- [ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- [X] Definitive Proxy Statement
- [ ] Definitive Additional Materials
- [ ] Soliciting Material Pursuant to §240.14a-12

Insight Enterprises, Inc.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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**INSIGHT ENTERPRISES, INC.**

**1305 West Auto Drive  
Tempe, Arizona 85284**

**NOTICE OF 2003 ANNUAL MEETING OF STOCKHOLDERS  
May 14, 2003**

**TO OUR STOCKHOLDERS:**

You are cordially invited to attend the Insight Enterprises, Inc. 2003 annual meeting of stockholders on Wednesday, May 14, 2003, at 3:00 p.m. local time, at our corporate headquarters, 1305 West Auto Drive, Tempe, Arizona 85284, for the following purposes:

- (1) To elect two Class III directors to serve until the 2006 annual meeting of stockholders or until their respective successors have been duly elected and qualified; and
- (2) To transact such other business as may properly come before the annual meeting or any adjournment of the meeting. These items are more fully described in the following pages, which are made part of this notice.

Each outstanding share of our common stock entitles the holder of record at the close of business on March 19, 2003 to receive notice of and to vote at the annual meeting or any adjournment or postponement of the meeting. Shares of common stock can be voted at the annual meeting only if the holder is present in person or by valid proxy. A copy of our annual report to stockholders, which includes audited financial statements, is enclosed. The annual report is not part of our proxy soliciting material.

Tempe, Arizona  
March 27, 2003

By order of the board of directors,

P. Robert Moya  
Executive Vice President, General Counsel and  
Secretary

**WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, SIGN, DATE AND MAIL THE ENCLOSED PROXY, WHICH IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS, SO THAT YOUR SHARES MAY BE REPRESENTED AT THE MEETING. A POSTAGE-PAID ENVELOPE IS PROVIDED FOR MAILING IN THE UNITED STATES. THE GIVING OF SUCH PROXY WILL NOT AFFECT YOUR RIGHTS TO REVOKE SUCH PROXY OR TO VOTE IN PERSON SHOULD YOU LATER DECIDE TO ATTEND THIS MEETING.**

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**INSIGHT ENTERPRISES, INC.**

**1305 West Auto Drive  
Tempe, Arizona 85284**

**PROXY STATEMENT**

**2003 ANNUAL MEETING OF STOCKHOLDERS**

**May 14, 2003**

Your vote is very important. For this reason, the board of directors is requesting that you allow your common stock to be represented at the annual meeting by the persons named as proxies on the enclosed proxy card. This proxy statement is being sent to you in connection with this request and has been prepared for the board of directors by our management. The terms *we*, *our* and *Company* refer to Insight Enterprises, Inc. and its subsidiaries. This proxy statement is first being sent to our stockholders on or about April 14, 2003.

**GENERAL INFORMATION**

*Who can vote?* You are entitled to vote your common stock if our records showed that you held your shares as of March 19, 2003. At the close of business on that date, 46,101,041 shares of common stock were outstanding and entitled to vote. Each share of common stock has one vote. The enclosed proxy card shows the number of shares that you are entitled to vote. Your individual vote is confidential and will not be disclosed to third parties.

*How do I vote?* If your common stock is held by a broker, bank or other nominee (i.e., in street name), you will receive instructions from it that you must follow in order to have your shares voted. If you hold your shares in your own name as a holder of record, you may vote your shares by mail, by telephone or over the Internet. To vote by mail you may instruct the persons named as proxies how to vote your common stock by signing, dating and mailing the proxy card in the envelope provided. You may vote by telephone or internet 24 hours a day, 7 days a week. The enclosed proxy card contains instructions for telephone and internet voting. Of course, you can always come to the meeting and vote your shares in person.

*How may I revoke my proxy instructions?* You may revoke your proxy instructions by any of the following procedures:

1. Send us another signed proxy with a later date;
2. Send a letter to our corporate secretary revoking your proxy before your common stock has been voted by the persons named as proxies at the meeting; or
3. Attend the annual meeting and vote your shares in person.

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*How are votes counted?*

The annual meeting will be held if a majority of our outstanding shares entitled to vote is represented at the meeting. If you have returned valid proxy instructions or attend the meeting in person, your common stock will be counted for the purpose of determining whether there is a quorum, even if you wish to abstain from voting on some or all matters introduced at the meeting.

If you give us a proxy without giving specific voting instructions, your shares will be voted by the persons named as proxies as recommended by the board of directors. We are not now aware of any other matters to be presented at the annual meeting except for those described in this proxy statement. However, if any other matters not described in this proxy statement are properly presented at the meeting, the persons named as proxies will use their own judgment to determine how to vote your shares. If the meeting is adjourned, your shares may be voted by the persons named as proxies on the new meeting date as well, unless you have revoked your proxy instructions prior to that time.

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, if such shares are otherwise properly represented at the meeting in person or by proxy, but are not counted for purposes of determining the number of shares entitled to vote on any proposal in respect of which the broker or other nominee lacks discretionary authority.

*May I attend the annual meeting?*

If you are a holder of record and you plan to attend the annual meeting, please indicate this when you vote. If you are a beneficial owner of common stock held by a broker or bank, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a broker or bank showing your current ownership and ownership of our shares on the record date are examples of proof of ownership. If you want to vote in person your common stock held in street name, you will have to get a proxy in your name from the registered holder.

*What vote is required?*

The two nominees for director who receive the most votes will be elected. Therefore, if you do not vote for a nominee or you elect to withhold authority to vote for any nominee on your proxy card, your vote will not count for or against any nominee.

*Who pays the cost of this proxy solicitation?*

We will pay the cost of this proxy solicitation. We will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy material to their principals and obtaining their proxies. We will solicit proxies by mail, except for any incidental personal solicitation made by our directors, officers and employees, for which they will not be paid.

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**WHO SHOULD I CALL IF I HAVE QUESTIONS?**

If you have questions about the annual meeting or voting, please call our Corporate Secretary, P. Robert Moya, at (480) 333-3045.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

Our board of directors consists of six 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. Each of the nominees has agreed to be named in this proxy statement and to serve if elected.

We know of no reason why any of the nominees would not be able to serve. However, if any nominee 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.

Information concerning each director nominee is set forth below.

**YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
A VOTE FOR ELECTION OF THE NOMINEES**

**INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS**

Our board of directors consists of six persons, divided into three classes serving staggered terms of three years. Currently, there are two directors in each class. The terms of the two Class III directors will expire at the 2003 annual meeting. The terms of the Class I and Class II directors will expire at the 2004 and 2005 annual meetings, respectively. The names of our directors and executive officers, and information about them, are set forth below.

*Timothy A. Crown*  
(Age 39)  
Chief Executive Officer  
Class III Director  
Member of the Executive  
Committee

Mr. Crown, one of our founders, has been our Chief Executive Officer since January 25, 2000 and has been a director since 1994. Mr. Crown has been employed by us or one of our predecessors since 1988 and served as President from 1989 to June 2001. Mr. Crown received a Bachelor of Science degree in Business and Computer Science from the University of Kansas. Timothy A. Crown is the brother of Eric J. Crown.

*Eric J. Crown*  
(Age 41)  
Vice President  
Chairman of the Board  
Class I Director  
Member of the Executive  
Committee

Mr. Crown, one of our founders, has been the Chairman of the Board since 1994 and has held various officer and director positions with Insight Enterprises, Inc. and its predecessor corporations since 1988, including Chief Executive Officer. Mr. Crown received a Bachelor of Science degree in Business Computer Information Systems from Arizona State University. Eric J. Crown is the brother of Timothy A. Crown.



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<p><i>Stanley Laybourne</i> (Age 54) Executive Vice President, Chief Financial Officer and Treasurer Class III Director Member of the Executive Committee</p>	<p>Mr. Laybourne has been a director since 1994. He became the Chief Financial Officer and Treasurer in 1991, and served as Secretary from 1994 to 2002. From 1989 to 1990, Mr. Laybourne was Executive Vice President of Ovation Broadcasting Company, a company which operated commercial radio broadcast properties. From 1985 to 1989, Mr. Laybourne was President and Chief Executive Officer of The Scottscom Group, a financial services company. From 1972 to 1985, he was employed by Touche, Ross &amp; Co., a predecessor to Deloitte &amp; Touche, where he was an audit partner from 1983 to 1985. Mr. Laybourne is the Chief Financial Officer of The Arizona Sports Foundation, d/b/a Fiesta Bowl, Fiesta Events, Inc. and the Valley of the Sun Bowl Foundation d/b/a Insight Bowl. Mr. Laybourne is a certified public accountant and received a Bachelor of Science degree in Accounting from The Ohio State University and a Masters in Business Administration degree from Arizona State University.</p>
<p><i>Larry A. Gunning</i> (Age 59) Class II Director Chairman of the Compensation Committee Member of the Audit and Nominating Committees</p>	<p>Mr. Gunning has been a director since 1995. He has been Manager and Director of 3D Petroleum LLC, a petroleum company, since 2001. From 1988 to 2001, Mr. Gunning was President and Director of Pasco Petroleum Corp., a petroleum marketing company that merged with 3D Petroleum LLC in 2001. Mr. Gunning is a life director of The Arizona Sports Foundation, d/b/a Fiesta Bowl, Fiesta Events, Inc. and the Valley of the Sun Bowl Foundation, d/b/a Insight Bowl. Mr. Gunning received a Bachelor of Science degree in Business Management from Arizona State University. Mr. Gunning is a director of several nonprofit organizations.</p>
<p><i>Robertson C. Jones</i> (Age 58) Class II Director Chairman of the Nominating Committee Member of the Audit and Compensation Committees</p>	<p>Mr. Jones has been a director since 1995. Mr. Jones was Senior Vice President and General Counsel of Del Webb Corporation, a developer of master-planned residential communities, from 1992 through 2001. Mr. Jones received his Bachelor of Arts degree from Williams College, his Masters in Business Administration degree from Oklahoma City University and his Juris Doctor degree from University of California, Hastings College of Law.</p>
<p><i>Michael M. Fisher</i> (Age 57) Class I Director Chairman of the Audit Committee Member of the Compensation and Nominating Committees</p>	<p>Mr. Fisher has been a director since May 2001. He has been President of Power Quality Engineering, Inc., a manufacturer of specialty filters, since 1995. Before joining Power Quality Engineering, Mr. Fisher spent 10 years at Computer Associates International, Inc. in various senior management positions, including President Data Base Division. Additionally, Mr. Fisher was employed by Arthur Andersen from 1968 to 1978, most recently as Senior Audit Manager. Mr. Fisher is a member of the board of directors and serves as Treasurer of The Arizona Sports Foundation, d/b/a Fiesta Bowl, Fiesta Events, Inc. and the Valley of the Sun Bowl Foundation d/b/a Insight Bowl. Mr. Fisher received a Bachelor of Business Administration in Accounting and has a Masters in Business Administration from Baylor University.</p>

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*Branson ( Tony ) M. Smith*  
(Age 47)  
President

Mr. Smith was named President in June 2001. Since December 2000, Mr. Smith had served as Chief Executive Officer and President of Direct Alliance Corporation, one of our subsidiaries. From July 1999 to December 2000, he served as President, and from 1996 to July 1999, he served as Chief Operating Officer of Direct Alliance Corporation. From 1993 to 1996, Mr. Smith served as the Vice President of Distribution and Senior Vice President of Fulfillment Services of Insight Direct USA, Inc., another one of our subsidiaries. From 1992 to 1993, Mr. Smith was employed as a consultant for Insight Direct USA, Inc. Mr. Smith received a Bachelor of Science degree in Business Administration from the University of Arizona.

*P. Robert Moya*  
(Age 58)  
Executive Vice  
President, General  
Counsel and Secretary

Mr. Moya was named as the Executive Vice President, General Counsel and Secretary of the Company in October 2002. Since 1991, he has been a partner in the Phoenix office of Quarles & Brady LLP, a firm with 450 lawyers in seven offices, where he served on the firm's National Executive Committee and Arizona Management Committee, as vice-chair of the National Strategic Planning Committee, as co-chair of the firm-wide Corporate Finance/Securities Group, and as the Legal Practice Coordinator for Arizona. Mr. Moya received a Bachelor of Arts degree in History from Princeton University and a Juris Doctor degree from Stanford Law School. He is a member of the American Bar Association and the Hispanic National Bar Association, and is licensed to practice law in Arizona, California and the District of Columbia. He also is a member of the board of directors of BIGeRealestate, Inc.

*Karen K. McGinnis*  
(Age 36)  
Senior Vice President of  
Finance

Mrs. McGinnis joined Insight Enterprises, Inc. in March 2000 as Vice President of Finance and was promoted to Senior Vice President of Finance in April 2001. From 1997 to 2000, Mrs. McGinnis was the Chief Financial Officer of Horizon, a privately held distributor of irrigation and turf maintenance equipment and supplies in the United States and Mexico. From 1989 to 1997, Mrs. McGinnis was employed, most recently as a Senior Assurance Manager, by KPMG LLP. Mrs. McGinnis is a certified public accountant and received her Bachelor of Science degree in Accounting from the University of Oklahoma.

*Dino D. Farfante*  
(Age 40)  
President - Insight North  
America

Mr. Farfante joined Insight North America in 1996 and was named President in November 2002. In his tenure he has served as Senior Vice President of Sales and Marketing and Chief Operating Officer. From 1990 to 1996, Mr. Farfante held several sales, operations, and management positions within Merisel, Inc., a distributor of computers, software and peripherals, including Vice President of Sales and Operations. From 1986 to 1990, Mr. Farfante held various positions within MicroAmerica, Inc, a value added computer distributor that was acquired by Merisel, Inc. in 1990. Mr. Farfante received his Bachelor of Science degree in Computer Engineering from the University of Florida.

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<p><i>Timothy J. McGrath</i> (Age 44) Executive Vice President of Sales and Marketing - Insight North America</p>	<p>Mr. McGrath joined Insight North America in 2002 and was named Executive Vice President of Sales and Marketing in November 2002. From 1999 to 2002, he served as the Executive Vice President of Sales and Marketing of Comark, a leading provider of IT products and services in the United States, which we acquired in 2002. From 1989 to 1999, Mr. McGrath was with Hewlett-Packard and has held a variety of other sales and sales management positions with various reseller organizations. Mr. McGrath received a Bachelor of Science degree in Business Administration from New Hampshire College and a Masters in Business Administration from Babson College in Wellesley, Massachusetts.</p>
<p><i>James A. McCoy</i> (Age 46) Senior Vice President of Finance - Insight Direct Worldwide, Inc.</p>	<p>Mr. McCoy has been employed in senior financial management positions by Insight Direct Worldwide, Inc. or one of its affiliates since February 1996. From 1986 to 1995, Mr. McCoy was Chief Financial Officer of Big 4 Restaurants Inc., a privately held theme restaurant operator. From 1978 to 1986, Mr. McCoy was employed by Price Waterhouse, a predecessor to PricewaterhouseCoopers, where he was an audit manager from 1984 to 1986. Mr. McCoy is a certified public accountant and received a Bachelor of Science degree in Accounting from the University of Arizona.</p>
<p><i>Stuart Fenton</i> (Age 34) Managing Director Insight Direct UK Ltd.</p>	<p>Mr. Fenton was named Managing Director of Insight Direct UK Ltd. in October 2002. Mr. Fenton held various positions at Micro Warehouse Inc. from 1995 to 2002, most recently the General Manager of Micro Warehouse Canada. Other roles at Micro Warehouse included European Vice President of E-business, Marketing and Purchasing, Commercial Director, Marketing Director and Marketing Manager of Micro Warehouse UK Ltd. From 1991 to 1995, Mr. Fenton was the Managing Director of specialist mail-order software supplier, Windowline.</p>
<p><i>Michael D. Rather</i> (Age 46) Chief Operating Officer Direct Alliance Corporation</p>	<p>Mr. Rather joined Direct Alliance Corporation in 1996 and has served in several executive capacities, including Chief Operating Officer since June of 2001. In April 2000, Mr. Rather was appointed Executive Vice President, Business Management of Direct Alliance. Prior to that role, Mr. Rather served as Senior Vice President of Sales. From 1994 to 1996, Mr. Rather served as President of Micro Management Inc., a software development company. Mr. Rather was the President, Chief Executive Officer and founder of MacLand, Inc.; a Nasdaq publicly-traded direct marketing company that specialized in high technology hardware and software, from 1987 to 1994. He received his Bachelor of Science degree in Business Administration from Arizona State University.</p>

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*James D. Kebert*

(Age 41)

Senior Vice President of  
Finance Direct  
Alliance Corporation

Mr. Kebert has been employed in senior financial management positions by Insight Enterprises, Inc. or one of its subsidiaries since January 1991. From 1989 to 1991, Mr. Kebert served as Corporate Controller with Veterinarian Companies of America, a national distributor and subsidiary of Colgate-Palmolive. From 1987 to 1989, Mr. Kebert was the controller of Cole Equities, Inc., a real estate syndication firm. From 1984 to 1987, Mr. Kebert was employed by Arthur Young and Company, a predecessor to Ernst and Young LLP. Mr. Kebert is a certified public accountant and received his Bachelor of Science degree in Accounting from The Pennsylvania State University.

**LEGAL PROCEEDINGS**

We are a defendant in a lawsuit pending in the United States District Court, District of Arizona which alleges violations of Section 10(b) of the Securities Exchange Act of 1934, and SEC Rule 10b-5. Three separate lawsuits filed by stockholders have been consolidated into a single action. The plaintiff in this action alleges we and certain of our officers made false and misleading statements pertaining to our business, operations and management in an effort to inflate the price of our common stock. The lawsuit also names as co-defendants: Eric J. Crown, the Chairman of our board of directors; Timothy A. Crown, our Chief Executive Officer and a director; and Stanley Laybourne, a director and our Executive Vice President, Chief Financial Officer and Treasurer. In the consolidated complaint, which was filed in December 2002, the plaintiff seeks class action status to represent all buyers of our common stock from September 3, 2001 through July 17, 2002. We intend to defend the lawsuit vigorously, and in February 2003 filed a motion to dismiss. The costs associated with defending the allegations in these lawsuits and the potential outcome cannot be determined at this time and, accordingly, no estimate for such costs, other than the deductible amount under our directors and officers liability insurance policies, has been included in these consolidated financial statements.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

We sponsor the Insight Bowl, a post-season intercollegiate football game that is played annually in Phoenix, Arizona. We have entered into multi-year sponsorship agreements with the Valley of the Sun Bowl Foundation d/b/a Insight Bowl and The Arizona Sports Foundation d/b/a Fiesta Bowl, the not-for-profit entities that conduct the Insight and Fiesta Bowl games and related activities. During 2002, we paid the Valley of the Sun Bowl Foundation \$564,900 and The Arizona Sports Foundation \$236,000 pursuant to sponsorship agreements and for ticket purchases. Stanley Laybourne, a member of our board of directors and our Executive Vice President, Chief Financial Officer and Treasurer, serves as the Chief Financial Officer of these foundations. Michael M. Fisher, a member of our board of directors, serves as the Treasurer and member of the board of directors and executive committees of both foundations. Larry A. Gunning, a member of our board of directors, is a life director of both foundations. We believe we obtain important local and national public relations benefits from our sponsorship and use the event to entertain employees, customers and suppliers. We also believe the terms of the sponsorship agreements are as advantageous to Insight Enterprises, Inc. as would be obtained in an arm's length transaction.

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P. Robert Moya, our Executive Vice President, General Counsel and Secretary, commenced his employment with us on October 10, 2002. Prior to that time, he was a partner in the law firm of Quarles & Brady Streich Lang LLP ( Quarles ), which has provided legal services to us during 2002 and 2003. As contemplated by the terms of his employment agreement with us, Mr. Moya will remain a partner of Quarles until September 30, 2003, in order to provide an orderly transition of his prior legal practice. He will be compensated by Quarles during this transition period on the basis of various factors associated with the transition, including, among other things, the amount of time devoted to the business of the partnership and revenues from former clients. However, Mr. Moya specifically will not receive any compensation from Quarles directly or indirectly based on the amount of revenues paid to Quarles by us or our affiliates in respect of any services provided to us from and after October 1, 2002. We also believe the amounts paid to Quarles for legal services are as advantageous to Insight Enterprises, Inc. as would be obtained in an arm's length transaction with a similar law firm.

In 2002, we paid \$167,595 and \$66,395 to Spiral Aviation, LLC and Globaljet Corporation, respectively, for the use of private airplanes owned by Spiral Aviation to perform company business. Mr. Timothy A. Crown, our Chief Executive Officer, and Mr. Eric A. Crown, our Chairman of the Board, together have outstanding unsecured loans to Spiral Aviation of \$1,287,367 in the aggregate. We have not used any aircraft owned by Spiral Aviation since June 2002 and do not intend to during the next fiscal year. We also believe the amounts paid to Spiral Aviation and Globaljet Corporation for the use of private airplanes are as advantageous to Insight Enterprises, Inc. as would be obtained in an arm's length transaction with a similar company that charters private planes.

**MEETINGS OF THE BOARD AND ITS COMMITTEES**

The board of directors and its committees held a total of thirty meetings during the year ended December 31, 2002. None of our directors attended fewer than 75% of the aggregate of all meetings of the board of directors and any committee on which he served during 2002. The board presently has an Executive Committee, an Audit Committee, a Compensation Committee and a Nominating 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, consisting of Michael M. Fisher, Chairman, Larry A. Gunning and Robertson C. Jones, met thirteen times in 2002. Each of Messrs. Fisher, Gunning and Jones is an independent director as defined in Rule 4200(a)(14) of the National Association of Securities Dealers, Inc. listing standards. The Audit Committee operates pursuant to a written charter. The primary function of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities as to financial reporting, audit functions and risk management. The Audit Committee reviews and considers the independence and performance of our independent auditors and internal audit department and the systems of internal control established by management.

The Compensation Committee, consisting of Messrs. Gunning, Chairman, Jones and Fisher, met six times in 2002. The Compensation Committee administers salaries and benefit programs designed for senior management, officers and directors and our incentive stock plans to insure that we have the ability to attract and retain highly qualified managers through competitive salary and benefit programs and encouraging extraordinary effort through incentive rewards.

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On November 15, 2002, the board of directors formed a Nominating Committee consisting of Messrs. Gunning, Fisher and Jones with Mr. Jones serving as Chairman. Each of Messrs. Fisher, Gunning and Jones is an independent director as defined in Rule 4200(a)(14) of the National Association of Securities Dealers, Inc. listing standards. The Nominating Committee operates pursuant to a written charter. The Nominating Committee is responsible for identifying and recruiting candidates for the board of directors and makes recommendations to the board of directors regarding the membership and chairs of the board of director's committees. Where appropriate, the Nominating Committee will consider timely shareholder recommendations submitted in writing to our corporate Secretary at 1305 West Auto Drive, Tempe, Arizona 85284.

**Compensation of Directors**

Directors who are not also our employees receive a retainer of \$10,000 per quarter, \$1,000 per board meeting attended, \$500 per committee meeting attended and reimbursement of reasonable expenses and certain formula-based stock option awards as described below. No per-meeting fees are paid in respect of some meetings held by teleconference. Directors who are our employees do not receive compensation for their service as directors except Eric J. Crown who receives an annual retainer of \$50,000 as Chairman of the Board. Mr. Crown's employment agreement is discussed elsewhere herein. Non-employee directors are eligible to receive nonqualified stock options pursuant to an annual formula grant. Non-employee directors receive options for 7,500 shares each time they are 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 2,500 shares multiplied by the number of full and partial years of their initial terms. In addition, in April 2002, we granted each non-employee director nonqualified stock options to purchase 10,000 shares. Options granted to non-employee directors are exercisable for five 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.

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The table below sets forth for each of the last three years the total compensation for services rendered to us by our Chief Executive Officer and our four other most highly compensated executive officers. We refer to these persons as named executive officers. The amounts shown include both amounts paid and amounts deferred.

**Summary Compensation Table**

Name and Principal Position	Year	Long-Term Compensation Awards				
		Annual Compensation(1)		Restricted Stock Awards \$(2)	Securities Underlying Options/SARs (#)(3)	All Other Compensation \$(4)
		Salary (\$)	Bonus (\$)			
Timothy A. Crown Chief Executive Officer	2002	250,000	944,172		250,000	3,524
	2001	250,000		369,687	250,000	3,405
	2000	250,000		1,468,426	345,000	3,405
					600,000 <sup>(5)</sup>	
					1,000,000 <sup>(6)</sup>	
					1,000,000 <sup>(7)</sup>	
Eric J. Crown Vice President	2002	250,000	511,153		84,000	2,750
	2001	250,000		369,687	250,000	3,405
	2000	250,000		1,468,426	345,000	3,405
					600,000 <sup>(5)</sup>	
					1,000,000 <sup>(6)</sup>	
					1,000,000 <sup>(7)</sup>	
Stanley Laybourne Executive Vice President, Chief Financial Officer and Treasurer	2002	196,667	377,669			3,760
	2001	190,000	73,937		250,000	3,384
	2000	190,000	293,686		112,500	3,384
					300,000 <sup>(5)</sup>	
					500,000 <sup>(6)</sup>	
					500,000 <sup>(7)</sup>	
Branson ( Tony ) M. Smith President	2002	250,000	942,837		74,250	3,411
	2001	226,250	421,257		325,750	3,474
	2000	200,000	151,260		75,000	3,474
					600,000 <sup>(5)</sup>	
					500,000 <sup>(6)</sup>	
					500,000 <sup>(7)</sup>	
Dino D. Farfante President of Insight North America	2002	291,250	381,124		75,000	3,856
	2001	270,000	61,901		75,000	3,594
	2000	260,625	9,664		200,050	2,625
					30,000 <sup>(5)</sup>	
					50,000 <sup>(6)</sup>	
					50,000 <sup>(7)</sup>	

- (1) The cost of certain perquisites and other personal benefits are not included because they did not exceed, in the case of any named 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 28,520; 28,520 and 171 shares of restricted stock held at December 31, 2002 by Messrs. Crown, Crown and Laybourne, respectively (calculated by multiplying the number of shares held by the closing price on December 31, 2002 as reported on the Nasdaq National Market) was \$237,001; \$237,001 and \$1,421 as of December 31, 2002. Recipients of restricted stock are entitled to vote and receive any dividends declared on





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our 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) Except as otherwise noted, information in this column represents options issued by us to purchase shares of our common stock.
- (4) Represents payments for disability insurance premiums and 401(k) contributions made by us to the accounts of the named executive officers in the following amounts, respectively: \$774 and \$2,750 in 2002, \$780 and \$2,625 in 2001, and \$780 and \$2,625 in 2000 for Timothy A. Crown; \$0 and \$2,750 in 2002, \$780 and \$2,625 in 2001, and \$780 and \$2,625 in 2000 for Eric J. Crown; \$760 and \$3,000 in 2002, \$759 and \$2,625 in 2001, and \$759 and \$2,625 in 2000 for Stanley Laybourne; \$661 and \$2,750 in 2002, \$849 and \$2,625 in 2001, and \$849 and \$2,625 in 2000 for Branson ( Tony ) M. Smith and \$1,106 and \$2,750 in 2002, \$969 and \$2,625 in 2001, and \$0 and \$2,625 in 2000 for Dino D. Farfante.
- (5) Represents options issued by our subsidiary Direct Alliance Corporation ( Direct Alliance ) to purchase shares of Direct Alliance common stock.
- (6) Represents options issued by our subsidiary Plusnet Technologies Limited ( Plusnet ) to purchase shares of Plusnet common stock.
- (7) Represents options issued by our subsidiary Insight ASP Limited to purchase shares of Insight ASP common stock. In 2002, the 2000 Insight ASP Long Term Incentive Plan was terminated and accordingly these options were cancelled.

**Option Grants in Last Fiscal Year**

The following table sets forth information regarding stock options granted during the year ended December 31, 2002 to the named executive officers.

Individual Grants						
Name	Number of Securities Underlying Options Granted (#)(1)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/Share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2)	
					5%(\$)	10%(\$)
Timothy A. Crown	250,000	10.2%	27.17	05/10/07	1,876,712	4,147,042
Eric J. Crown	84,000	3.4%	27.17	05/10/07	630,575	1,393,406
Stanley Laybourne						
Branson ( Tony ) M Smith	74,250	3.0%	21.87	04/22/07	448,639	991,375
Dino D. Farfante	50,000	2.0%	21.03	04/25/07	290,510	641,951
	25,000	1.0%	9.18	08/06/07	63,407	140,112

- (1) Represent options granted by us to purchase shares of our common stock. One-half of the options become exercisable on each of the first two anniversaries of the grant date.
- (2) Amounts represent hypothetical gains that could be achieved over the full option term (5 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.

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

The following table sets forth information with respect to exercises of options to purchase Insight Enterprises, Inc. common stock and the number and value of such options outstanding at December 31, 2002 held by the named executive officers.

In addition, our subsidiaries, Direct Alliance and Plusnet, have issued options to our named executive officers in the amounts described in footnote (2) below. None of these options is exercisable and there is no market for the underlying securities. The exercise price for each of these options is the fair market value at the date of grant, as determined by an appraisal. We have not conducted subsequent appraisals for this purpose through December 31, 2002, and are not required to do so. Accordingly, the current value of these unexercisable options at December 31, 2002 is indeterminate and no value in respect of these options is included in the table below. Under these options, our named executive officers have the right to acquire the following percentages, determined on a fully-diluted basis, of the total outstanding common stock of Direct Alliance and PlusNet, respectively: Timothy A. Crown: 1.8% and 1.8%; Eric J. Crown: 1.8% and 1.8%; Stanley Laybourne: 0.9% and 0.9%; Branson ( Tony ) M. Smith: 1.8% and .9% and Dino Farfante: 0.1% and 0.1%.

	<b>Shares</b>	<b>Number of Securities Underlying Unexercised</b>	<b>Value of Unexercised In-The-Money</b>
	4,880,000		
Add (Reductions)/additions charged to earnings			(528,969)
)			
			3,964,833
			3,435,864
Deduct - Charges for purposes for which reserves were established			
)			(314,031)
			(4,178,833)

)

(4,492,864

)

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BALANCE, DECEMBER 31, 2005

\$

1,472,000

\$

2,351,000

\$

3,823,000

Add - Additions charged to earnings

6,692

4,209,010

4,215,702

Deduct - Charges for purposes for which reserves were established

(85,692

)

(4,239,010

)

(4,324,702

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BALANCE, DECEMBER 31, 2006

\$

1,393,000

\$

2,321,000

\$



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Board of Directors of  
Weyco Group, Inc.:

We have audited the consolidated financial statements of Weyco Group, Inc. and subsidiaries (the Company) as of December 31, 2006 and 2005, and for each of the three years in the period ended December 31, 2006, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, and have issued our reports thereon dated March 12, 2007 (which report on the audit of the consolidated financial statements expresses an unqualified opinion and includes an explanatory paragraph concerning the adoption of Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans); such reports are incorporated by reference elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, this consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

*/s/ DELOITTE & TOUCHE LLP*

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Milwaukee, Wisconsin  
March 12, 2007

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EXHIBIT INDEX

Exhibit	Description	Incorporated Herein By Reference To
2.1	Asset Purchase Agreement, Florsheim Group, Inc., dated March 3, 2002	Exhibit 2.1 to Form 10-K for Year Ended December 31, 2001
3.1	Articles of Incorporation as Restated August 29, 1961, and Last Amended February 16, 2005	Exhibit 3.1 to Form 10-K for Year Ended December 31, 2004
3.2	Bylaws as Revised January 21, 1991 and Last Amended January 28, 2002	Exhibit 3.2 to Form 10-K for Year Ended December 31, 2001
10.1*	Consulting Agreement - Thomas W. Florsheim, dated December 28, 2000	Exhibit 10.1 to Form 10-K for Year Ended December 31, 2001
10.2*	Employment Agreement - Thomas W. Florsheim, Jr., dated January 1, 1997, as amended January 1, 1999 and January 1, 2004	Exhibit 10.2 to Form 10-K for Year Ended December 31, 1996, and Amendment No. 1 filed as Exhibit 10.2 to Form 10-K for Year Ended December 31, 1998, and Amendment No. 2 filed as Exhibit 10.2 for Year Ended December 31, 2003
10.3*	Employment Agreement - John W. Florsheim, dated January 1, 1997, as amended January 1, 1999 and January 1, 2004	Exhibit 10.3 to Form 10-K for Year Ended December 31, 1996, and Amendment No. 1 filed as Exhibit 10.3 to Form 10-K for Year Ended December 31, 1998, and Amendment No. 2 filed as Exhibit 10.3 for Year Ended December 31, 2003
10.6*	Excess Benefits Plan - Amended Effective as of July 1, 2004	Exhibit 10.6 to Form 10-K for Year Ended December 31, 2005
10.7*	Pension Plan - Amended and Restated Effective January 1, 2006	

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EXHIBIT INDEX (cont.)

Exhibit	Description	Incorporated Herein By Reference To
10.8*	Deferred Compensation Plan Amended Effective as of July 1, 2004	Exhibit 10.8 to Form 10-K for Year Ended December 31, 2005
10.13*	1997 Stock Option Plan	Exhibit 10.13 to Form 10-K for Year Ended December 31, 1997
10.14*	Change of Control Agreement John Wittkowske, dated January 26, 1998	Exhibit 10.14 to Form 10-K for Year Ended December 31, 1997
10.15*	Change of Control Agreement Peter S. Grossman, dated January 26, 1998	Exhibit 10.15 to Form 10-K for Year Ended December 31, 1997
10.19*	Weyco Group, Inc. Director Nonqualified Stock Option Agreement Robert Feitler, dated May 19, 2003	Exhibit 10.19 to Form 10-K for Year Ended December 31, 2004
10.20*	Weyco Group, Inc. Director Nonqualified Stock Option Agreement Thomas W. Florsheim, Sr., dated May 19, 2003	Exhibit 10.20 to Form 10-K for Year Ended December 31, 2004
10.21*	Weyco Group, Inc. Director Nonqualified Stock Option Agreement Leonard Goldstein, dated May 19, 2003	Exhibit 10.21 to Form 10-K for Year Ended December 31, 2004
10.22*	Weyco Group, Inc. Director Nonqualified Stock Option Agreement Frederick P. Stratton, Jr., dated May 19, 2003	Exhibit 10.22 to Form 10-K for Year Ended December 31, 2004
10.23*	Weyco Group, Inc. 2005 Equity Incentive Plan	Appendix C to the Registrant's Proxy Statement Schedule 14A for the Annual Meeting of Shareholders held on April 26, 2005

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EXHIBIT INDEX (cont.)

Exhibit	Description	Incorporated Herein By Reference To
13	Annual Report to Shareholders	
21	Subsidiaries of the Registrant	
23.1	Independent Registered Public Accounting Firm's Consent Dated March 12, 2007	
31.1	Certification of Principal Executive Officer	
31.2	Certification of Principal Financial Officer	
32.1	Section 906 Certification of Chief Executive Officer	
32.2	Section 906 Certification of Chief Financial Officer	
	*Management contract or compensatory plan or arrangement	

SIGNATURES

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

WEYCO GROUP, INC.  
(Registrant)

By /s/ John Wittkowske

March 15, 2007

John Wittkowske, Senior Vice President Chief  
Financial Officer

Power of Attorney

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas W. Florsheim, Jr., John W. Florsheim, and John Wittkowske, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue thereof.

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

Signatures and Titles	Date
/s/ Thomas W. Florsheim Thomas W. Florsheim, Chairman Emeritus	March 15, 2007
/s/ Thomas W. Florsheim, Jr. Thomas W. Florsheim, Jr., Chairman of the Board and Chief Executive Officer	March 15, 2007
/s/ John W. Florsheim John W. Florsheim, President and Chief Operating Officer, Assistant Secretary and Director	March 15, 2007
/s/ John Wittkowske John Wittkowske, Senior Vice President, Chief Financial Officer and Secretary (Principal Accounting Officer)	March 15, 2007
/s/ Robert Feitler Robert Feitler, Director	March 15, 2007
/s/ Leonard J. Goldstein Leonard J. Goldstein, Director	March 15, 2007

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/s/ Cory L. Nettles

March 15, 2007

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Cory L. Nettles, Director

/s/ Frederick P. Stratton, Jr.

March 15, 2007

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Frederick P. Stratton, Jr., Director

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