
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

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

For the fiscal year ended December 31, 2017

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

For the transition period from _____ to _____

Commission File Number: 0-25790

PCM, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

95-4518700
(IRS Employer Identification Number)

1940 East Mariposa Avenue, El Segundo, CA 90245
(Address of principal executive offices, including zip code)

(310) 354-5600
(Registrant's telephone number, including area code)

(Former address of principal executive offices, including zip code)

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

<u>Title of Each Class</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, \$0.001 par value per share	The NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)
Emerging growth company

Accelerated filer
Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [] No [X]

As of June 30, 2017, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately \$186.6 million, based upon the closing sales price of the registrant's Common Stock on such date, as reported on the Nasdaq Global Market. Shares of Common Stock held by each executive officer, director and each person owning more than 10% of the outstanding Common Stock of the registrant have been excluded in that such persons may be deemed to be affiliates of the registrant. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of April 20, 2018, the registrant had 11,830,887 shares of common stock outstanding.

EXPLANATORY NOTE

PCM, Inc. (“PCM,” “we” or “us”) is filing this Amendment No. 1 to its Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission on March 15, 2018 solely for the purpose of providing certain information required by Part III of Form 10-K and to reflect exhibits filed with this Amendment No. 1. Unless otherwise expressly stated, this Amendment No. 1 does not reflect events occurring after the filing of the original Form 10-K, or modify or update in any way disclosures contained in the original Form 10-K.

PCM, INC.

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PCM, INC.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information Regarding Our Board of Directors

Our Board of Directors currently consists of four directors. Our Board seeks directors with established strong professional reputations and experience in areas relevant to the strategy and operations of our business, particularly the industries, end-markets and growth segments that our company serves. Each of our directors holds or has held senior executive positions in complex organizations and has operating experience that meets this objective, as described below. In these positions, they have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, compliance, risk management, executive compensation, human resources and leadership development. A majority of our non-employee directors has experience serving on boards of directors and board committees of other public companies, and each of our directors has an understanding of corporate governance practices and trends. The Board also believes that each of our directors has other key attributes that are important to an effective board: integrity, candor, analytical skills, the willingness to engage management and each other in a constructive and collaborative fashion, diversity of experience, qualifications, skills and backgrounds, and the ability and commitment to devote significant time and energy to service on the Board and its committees. In addition to the above, our Board of Directors has also considered the specific experience described in the biographical details that follow in determining that such individuals should serve as a member of our Board of Directors.

Set forth below are the name, age and the positions and offices held for each of our directors as of April 20, 2018, his principal occupation, business experience and public company board service during the past five years, and the experience, qualifications, attributes or skills that qualify such person to serve as a director of our company.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director Since</u>
Frank F. Khulusi	51	Chairman of the Board and Chief Executive Officer	1987
Thomas A. Maloof(2)(3)	66	Director	1998
Ronald B. Reck(1)(2)(3)	69	Director	1999
Paul C. Heeschen(1)(2)(3)	61	Director	2006

(1) Member of our Compensation Committee.

(2) Member of our Audit Committee.

(3) Member of our Nominating and Corporate Governance Committee.

Frank F. Khulusi is one of our co-founders and has served as our Chairman of the Board and Chief Executive Officer since our inception in 1987 and as our President from our inception in 1987 to July 1999 and again from March 2001 to March 2012. Mr. Khulusi attended the University of Southern California. Mr. Khulusi's areas of relevant experience, qualifications, attributes or skills include extensive knowledge of the IT direct marketing and solutions industries, over 20 years of experience in leadership and growth of our company, extensive operations and financial experience, and experience with public company corporate governance.

Thomas A. Maloof has served as one of our directors since May 1998. He served as Chief Financial Officer of Hospitality Marketing Concepts from January 2001 to August 2005, and has been an independent consultant since August 2005. Mr. Maloof served as President of Perinatal Practice Management, Inc. from February 1998 to November 2000. From August 2004 through April 2005, Mr. Maloof served on the board of directors of our former subsidiary, eCOST.com, Inc. (Nasdaq: ECST). Mr. Maloof served as a director for Farmer Brothers Coffee (Nasdaq: FARM) from 2003 to 2011 and The Ensign Group (Nasdaq: ENSG) from 2000 to 2013. Mr. Maloof's areas of relevant experience, qualifications, attributes or skills include extensive knowledge of the IT direct marketing and solutions industries; experience having served on the board of directors of Farmer Brothers and The Ensign Group (including service on the audit committees of both entities); public accounting and auditing experience; and public company corporate governance, finance and financial reporting experience.

Ronald B. Reck has served as one of our directors since April 1999. Mr. Reck was employed by Applebee's International from 1987 to 1997, serving most recently as Executive Vice President and Chief Administrative Officer. Since 1998, Mr. Reck has served as President and Chief Executive Officer of Joron Properties, LLC, a real estate company until December 31, 2014. Mr. Reck's areas of relevant experience, qualifications, attributes or skills include extensive knowledge of the IT direct marketing and solutions industries; extensive experience as a private investor; senior leadership roles with operations experience in complex public and private companies; and public company corporate governance and financial reporting experience.

Paul C. Heeschen has served as one of our directors since February 2006. Mr. Heeschen has served as a member of the board of directors of New Home Co Inc. (NYSE: NWHM) since February 2014. Mr. Heeschen served from January 1996 to May 2010 as a member of the board of directors of Diedrich Coffee, Inc., which was acquired by a subsidiary of Green Mountain Coffee Roasters, Inc. in May 2010. Mr. Heeschen served as Diedrich's Chairman from February 2001 and as its Executive Chairman from February 2010 to May 2010. Since 1995, Mr. Heeschen also has been a principal of Heeschen & Associates, a private investment firm. Mr. Heeschen's areas of relevant experience, qualifications, attributes or skills include extensive knowledge of the IT direct marketing and solutions industries; extensive experience as a private investor; senior leadership roles with operations experience in complex public and private companies; and public company corporate governance, finance and financial reporting experience.

Executive Officers

Our executive officers as of April 20, 2018 and their respective ages and positions were as follows:

Name	Age	Position
Frank F. Khulusi	51	Chairman and Chief Executive Officer
Robert J. Miley	47	President
Brandon H. LaVerne	46	Chief Financial Officer, Treasurer, Chief Accounting Officer and Assistant Secretary
Robert I. Newton	52	Executive Vice President, Chief Legal Officer and Secretary
Simon M. Abuyounes	64	Executive Vice President — IT and Operations

The following is a biographical summary of the experience of our executive officers:

Frank F. Khulusi is one of our co-founders and has served as our Chairman of the Board and Chief Executive Officer since our inception in 1987, served as President until July 1999, and resumed the office of President in March 2001 through March 2012. Mr. Khulusi attended the University of Southern California.

Robert J. Miley joined us in December 2014 and currently serves as President of PCM, Inc. Prior to joining us, Mr. Miley held various positions at Ingram Micro spanning approximately 20 years, most recently having served as Vice President and General Manager of Advanced Technology Division in North America. Mr. Miley earned an MBA from the University of Southern California Marshall School of Business and graduated from the University of California Santa Barbara with a B.A. in Business Economics and a B.A. in Political Science.

Brandon H. LaVerne has served as our Chief Financial Officer since July 2008. Mr. LaVerne previously served as our Interim Chief Financial Officer, Chief Accounting Officer and Treasurer of the Company since June 2007, and continues to serve as our principal financial and accounting officer. Prior to June 2007, Mr. LaVerne served as Vice President and Controller and has been with us since October 1998. Prior to joining us, Mr. LaVerne worked for Computer Sciences Corporation, and started his career with Deloitte and Touche LLP. Mr. LaVerne received his B.S. in Accounting from the University of Southern California and is a Certified Public Accountant.

Robert I. Newton joined us in June 2004 and currently serves as our Executive Vice President, Chief Legal Officer and Secretary. Mr. Newton was Of Counsel in the corporate practice group of Morrison & Foerster LLP from February 2000 until joining our company. Prior to his employment at Morrison & Foerster LLP, Mr. Newton was a partner in the corporate practice group of McDermott, Will & Emery LLP. Mr. Newton received a B.B.A., with highest honors, and a J.D., with honors, from the University of Texas at Austin.

Simon M. Abuyounes was appointed Executive Vice President — IT and Operations of PCM, Inc. in April 2014. Mr. Abuyounes previously served as President of PCM Logistics, LLC since June 2005. Prior to June 2005, Mr. Abuyounes has served as Senior Vice President of Operations and has been with us since June 1995. Prior to joining us, Mr. Abuyounes held various engineering and managerial positions for over 10 years. Mr. Abuyounes received his B.S. and M.S. degrees in Engineering from the Ohio State University. Mr. Abuyounes is the brother-in-law of Mr. Khulusi.

Corporate Governance

Identification of Our Audit Committee

We have a separately designated standing audit committee established in accordance with the Securities Exchange Act of 1934. The members of our audit committee are Thomas A. Maloof (Chair), Paul C. Heeschen and Ronald B. Reck. Our board of directors has determined that each of the members of our audit committee is “independent” as that term is defined in Rule 10A-3(b)(1) promulgated under the Exchange Act and is an “independent director” as defined in Rule 5605(a)(2) of the Nasdaq listing standards. Our board of directors has determined that each of Mr. Maloof and Mr. Heeschen is an “audit committee financial expert” as that term is defined by regulations of the Securities and Exchange Commission and that each of them has accounting and related financial management expertise within the meaning of the applicable rules of Nasdaq.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that applies to each of our directors, officers and employees, including our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. Our Code of Business Conduct and Ethics, including any amendments to, or waivers from such code, is posted in the “Investor Relations” section of our website at www.pcm.com. We will provide a copy of our Code of Business Conduct and Ethics to any person, without charge, upon receipt of a written request directed to our Secretary at our principal executive offices.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership on Form 3 and changes in ownership on Forms 4 or 5 with the SEC. Those officers, directors and ten percent stockholders are also required by the SEC’s rules to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of the forms we received, or representations from certain reporting persons that no Forms 5 were required for such persons, we believe that during the fiscal year ended December 31, 2017, all Section 16(a) filing requirements applicable to our officers, directors and ten percent stockholders were complied with, except one late Form 4 filed by Jay Miley to report one transaction.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Philosophy and Principles

The Compensation Committee of our Board of Directors establishes our executive compensation philosophy and principles and oversees our executive compensation programs. The following are the primary principles of our executive compensation programs, which together constitute our executive compensation philosophy:

- link executive compensation to the creation of stockholder value;
- reward contributions of executive officers that enhance our specific business goals; and
- attract, retain and motivate high quality individuals.

Our executive compensation programs have been designed and adopted by the Compensation Committee in an effort to implement the above principles. The key elements of our executive compensation program include base salary, quarterly and annual cash incentives, stock incentive awards, health and welfare benefits, and other perquisites. The discussion below describes each of the key elements of our executive compensation for the fiscal year ended December 31, 2017.

Executive Compensation Process

In establishing compensation, our Compensation Committee, among other things:

- reviews the performance of our executive officers and each of the components of their compensation;
- evaluates the effectiveness of our overall executive compensation program on a periodic basis; and
- administers our equity and cash incentive plans and, within the terms of these plans, determines the terms and conditions of the awards under these plans.

Our annual process of determining overall compensation for named executive officers (other than our Chief Executive Officer) begins with recommendations made by our Chief Executive Officer to our Compensation Committee. In making his recommendation, our Chief Executive Officer considers a number of factors, including the functional role of the position, the level of the individual's responsibility, the individual's long-term commitment to our company, the demand and scarcity of individuals with similar skills, knowledge and industry expertise, the seniority of the individual and our Chief Executive Officer's understandings and beliefs of retention and motivational requirements for each such executive. After considering the input and recommendations of our Chief Executive Officer and any input of an independent compensation consultant that may from time to time be engaged by the Committee, our Compensation Committee makes the final determination of compensation for our named executive officers.

In addition, our Compensation Committee annually reviews and approves our corporate goals and objectives relative to our Chief Executive Officer's compensation, evaluates his compensation in light of such goals and objectives, as well as the input of any independent compensation consultant, and sets the Chief Executive Officer's compensation based on this evaluation. While our Chief Executive Officer submits recommendations to the Compensation Committee regarding his own proposed compensation levels, the Committee retains the sole authority to determine the compensation of our Chief Executive Officer based on its evaluation of the factors described below under "Total Compensation for Executive Officers."

Our Compensation Committee uses its judgment and experience and works closely with our named executive officers to determine the appropriate mix of compensation for each individual. Our Compensation Committee historically has not used tally sheets, internal pay equity studies, accumulated wealth analyses, equity retention policies, benchmarking or similar tools in assisting with compensation determinations for our named executive officers. The Committee uses its judgment and discretion in determining the amount of base salary for executive officers and does not target a particular benchmark in relation to salary ranges at other companies. Instead, base salary is used to recognize the experience, skills, knowledge and responsibilities required of our named executive officers, taking into account competitive market compensation paid by other companies for similar positions. The Compensation Committee believes that long-term performance is achieved through the use of stock-based awards and has historically awarded stock options and restricted stock units (RSUs) to our named executive officers.

In April 2013, the Compensation Committee engaged Towers Watson, a nationally recognized compensation consulting firm, to advise the Committee on our director and executive compensation programs and to conduct an independent competitive assessment of our director and executive officer compensation in an effort to ensure that such compensation levels and practices satisfy our compensation philosophies and principles and are established in part based upon consideration of objective market compensation data. The objective of Towers Watson's 2013 engagement was to ensure that our compensation levels and practices were designed to support long-term growth and success, reflect best practices and address the needs of our company, employees and stockholders, and to update prior assessments using more recent market data. In connection with its engagement by the Committee, Towers Watson was instructed to perform the following assignments:

- provide an assessment of our total direct compensation (base salary, short-term incentive and long-term incentive) for executive level positions;
- provide advice on competitive compensation practices and executive compensation issues and trends and on establishing an appropriate peer group for comparison;
- provide independent recommendations to the Committee on Chief Executive Officer and other executive officer and director compensation; and
- provide a review and assessment of the Company's overall compensation programs design for directors and executive officers, including short-term and long-term incentive practices.

Towers Watson presented its recommendations with respect to our Chief Executive Officer directly to the Compensation Committee, without the participation of the Chief Executive Officer. The other recommendations of Towers Watson were provided to the Compensation Committee and our Chief Executive Officer with input from our human resources personnel, who worked directly with Towers Watson on the assignment. The report was discussed by the Committee at scheduled meetings of the Committee during the second and third quarters of 2013. The report, together with input to the Committee from our Chief Executive Officer regarding incentive and retention of our other executive officers and directors, was considered by the Committee in establishing each of the components of executive and director compensation for fiscal year 2013 and again for fiscal years 2014, 2015, 2016 and 2017.

Total Compensation of Executive Officers

Our executive compensation programs consist primarily of (i) base salary, (ii) short-term incentive compensation in the form of quarterly or annual cash bonuses and (iii) long-term incentive compensation in the form of stock options and RSUs. We also provide our executive officers with other benefits, including certain perquisites and severance and change of control agreements discussed in more detail below. Each of these components of executive compensation has been provided to satisfy our compensation philosophy and principles after review of market executive compensation data provided by an independent compensation consultant engaged by the Compensation Committee and, for executives other than the Chief Executive Officer, based in part on qualitative input and recommendations made to the Compensation Committee by our Chief Executive Officer. For the 2017 fiscal year, each of our executive officers received cash compensation in the form of an annual base salary and cash bonuses or incentive compensation, and each also received long-term incentive compensation in the form of stock option and/or RSU awards. The Compensation Committee has not adopted any formal or informal policies or guidelines for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among different forms of non-cash compensation other than its determination that the total compensation and each component of compensation provided to each executive officer in 2017 was within the range of total compensation and the range of each component of compensation paid to similarly situated executive officers in the peer group as provided in the 2013 Towers Watson report.

In determining the compensation for our Chief Executive Officer, in addition to the applicable factors set forth below, the Compensation Committee also took into consideration the record of his leadership and vision since our company's inception in 1987; his close identification with us by our employees and vendors, the financial community and the general public; and the recognition by the Compensation Committee and others in our industry of the importance of his leadership to our continued success.

Please refer to the tables under the section entitled "Executive Compensation" below for a detailed presentation of the specific compensation earned by each of our named executive officers in the 2017 fiscal year.

In assessing the competitiveness of our executive compensation, our Compensation Committee reviewed, together with other market compensation data, the report from Towers Watson, which developed comparable market compensation data using 2012 proprietary market databases and surveys, and public proxy data reported for the year ended December 31, 2012, for direct competitors as well as selected retail and technology industry peers. The peer group included the following direct competitors and other peers in the retail and technology industries:

Direct Peers: CDW Corp., ePlus, Inc., Insight Enterprises, Inc., PC Connection, Inc. and Systemax, Inc.

Other Peers: Black Box Corp., CACI International, Inc., CIBER, Inc., Computer Task Group, Inc., Netgear, Inc., Polycom, Inc., RCM Technologies, Inc., ScanSource, Inc., TESSCO Technologies, Inc., and Unisys Corporation.

We include our direct competitors and other retail and technology companies because we compete with them for business, as well as talent. We include leading national technology companies because they have a large influence on industry compensation practices. The retail and technology peer companies were included based on the advice of Towers Watson. Survey data used in the report were collected from Towers Watson's 2012 Compensation Data Bank for Retail/Wholesale Industry Executives for companies with revenues under \$3 billion. Survey data from the Towers Watson report was updated to June 2013 using a three percent annual aging factor. These surveys were organized by job title and scope of responsibility for each of our named executive officers. Survey data and publicly available proxy statements, Form 4s and 8-K filings were combined to develop market competitive pay rates.

The Compensation Committee used the above described reports provided by Towers Watson, together with other market compensation data and compensation data from a licensed third party compensation database for companies in the retail/wholesale industry located in the Los Angeles Metro geography with annual revenues of \$1 billion to \$3 billion and updated compensation data gathered by our internal personnel from publicly available proxy data for the peer group. In determining comparable market compensation data for 2017 in the changing landscape, the Compensation Committee undertook a process to assess whether the existing peer group was still appropriate to assess the competitiveness of our executive compensation. As a result of this process, two peers were removed (RCM Technologies and Computer Task Group) given that PCM has significantly outgrown their size, and two peers were added (Anixter International and Patterson Companies) as replacements, in the market data utilized from publicly available proxy data. This data was used by the Compensation Committee to confirm that the total compensation and each component of compensation provided to our named executive officers was within the range of total compensation and each component of compensation paid to similarly situated officers in the peer group. While the Compensation Committee utilized this peer group and other data (including the base salary survey data discussed below under "Base Salaries") as a general guideline, it did not specifically benchmark total compensation or any compensation component against the companies included in the survey data.

In setting the total compensation levels and each component of our executive compensation program for 2017, the Compensation Committee reviewed and considered the comparative peer group data as described above, as well as the qualitative input from the Chief Executive Officer regarding retention and incentive requirements (for executive officers other than the Chief Executive Officer). The Committee determined that the total compensation and each component of compensation to be provided to each executive officer in 2017 was within the range of total compensation and the range of each component of compensation paid to similarly situated executive officers in the reviewed data. However, the Compensation Committee did not establish any specific peer group comparative percentile targets or relative percentages of total compensation that any component of compensation should represent for any of our executives.

Base Salaries

The base salaries we provide to our executive officers are intended as compensation for each executive officer's ongoing contributions to the performance of the operational area(s) for which he or she is responsible. In keeping with our compensation philosophy to attract and retain high quality individuals, executive officer base salaries have been set at levels which the Compensation Committee believes are competitive with base salaries paid to executive officers of the peer companies described above and with the Los Angeles market for executives of publicly traded companies having approximately similar revenues and number of employees to those of PCM. The Committee used market survey data for general background purposes to determine whether our executive compensation levels were substantially higher or lower than those of companies within the geographic market in which we compete for qualified executives. However, as described above, the Compensation Committee does not specifically benchmark base salaries of our executive officers against those of the companies included in the market data reviewed by the Committee. For executive officers other than our Chief Executive Officer, base salaries also were established in part after consideration of qualitative input from our Chief Executive Officer about retention and incentive considerations after his discussions with individual executive officers.

The base salaries of our executive officers are reviewed annually and adjusted from time to time from the original amounts provided in employment agreements to recognize individual performance, promotions, competitive compensation levels, retention and incentive considerations and other qualitative factors. In addition to adjustments made for competitive, retention and incentive reasons, the Committee has periodically adjusted executive officer base salaries based on its assessment of each executive's performance and history with us and our overall budgetary considerations for salary increases. Based in part on the reports provided to the Committee by the independent compensation consulting firm and other data reviewed by the Committee, the base salaries for Messrs. LaVerne, Newton and Abuyounes, which had not been increased since May 20, 2013, were increased effective January 1, 2017. Mr. LaVerne's base salary was increased from \$346,330 to \$381,000. Mr. Newton's base salary was increased from \$342,900 to \$378,000 and Mr. Abuyounes' salary was increased from \$333,375 to \$367,000. Mr. Miley's annual base salary rate of \$400,000 was established by the Committee in connection with his hiring and negotiation of his December 2014 employment agreement, and was increased effective January 1, 2017 to \$500,000. In December 2014, in connection with the hiring of a new President, Mr. Khulusi's base salary was reduced at his request from \$833,000 to \$583,000 to partially offset the cost of adding the separate President position in the near term. Mr. Khulusi agreed to continue this reduced base salary rate throughout 2015. On May 3, 2016, the Committee and the Board reinstated Mr. Khulusi's base salary to its prior annual rate of \$833,000, effective from May 3, 2016, and remained unchanged for 2017. The Committee and the Board determined to reinstate Mr. Khulusi's previous base salary level after considering the Company's larger scale, performance and resources.

Short-Term Incentive Compensation

In February 2017 our Compensation Committee adopted our 2017 Executive Incentive Plan (the "Plan") effective for the 2017 fiscal year. The Plan was intended to reward and motivate our executives with short-term cash incentives and to align the interests of management with our stated objectives to focus on our sales and profitability and increase shareholder value. Each of our named executive officers was eligible to participate in the Plan.

The Plan was designed to provide cash incentive opportunities based upon two performance objectives, weighted differently for each executive eligible to participate in the Plan: (1) attainment of a target consolidated annual EBITDA (the "Consolidated Target"), and (2) attainment of individual qualitative targets (the "Qualitative Target"). EBITDA was defined under the Plan as earnings before interest, taxes, depreciation and amortization and adjusted for special charges, if any, to be excluded from the calculation of EBITDA in the discretion of the Committee, including but not limited to non-cash adjustments such as goodwill and intangible asset adjustments, stock-based compensation, material unforeseen litigation and restructuring and related costs. Such adjustments, with the addition of stock-based compensation for 2017, are consistent with our executive incentive plan in the prior year and the items excluded from the 2017 EBITDA calculations are described in more detail below.

The Plan provided for individual target amounts for each participant based on the Company's achievement at 100% of the annual Consolidated Target for the 2017 calendar year. The Plan also had a minimum annual EBITDA for any quantitative cash incentive to be paid under the Plan and contained incentive decelerators based on performance below the Consolidated Target, with an annual minimum threshold set at 80% of target, or the prior year comparable target, whichever is higher. Quantitative incentive amounts would be paid at 50% of the incentive target if the Company's performance equaled the minimum target threshold for payment of the quantitative cash incentive amounts. If the Company's performance fell below the threshold, no quantitative cash incentives would have been earned.

The Plan also contained accelerators under which the cash incentive amounts could exceed the target incentive amounts, with the maximum cash incentive amount equal to 200% of target incentive amounts, to be paid if the Company's performance equaled or exceeded 125% of the Consolidated Target. The Plan further generally allowed for 50% of the annual cash incentive targets to be paid in non-recoverable quarterly increments based on quarterly performance targets that made up components of the Consolidated Target.

Under the 2017 Plan, Messrs. LaVerne, Newton and Abuyounes each had certain individual qualitative targets that were tailored for their respective responsibilities to the Company based on recommendations made by our Chief Executive Officer and approved by the Committee and were paid quarterly or annually in the discretion of the Committee. Mr. Newton does not participate in the quantitative performance objective components of the Plan.

The total cash incentive opportunity for the participating executive officers equaled \$516,460 for Mr. Khulusi, which was 62% of his 2017 annual base salary, \$200,000 for Mr. Miley, which was 40% of his 2017 annual base salary, \$153,000 for Mr. LaVerne, which was approximately 40% of his 2017 annual base salary, \$152,000 for Mr. Newton, which was approximately 40% of his 2017 annual base salary and \$147,000 for Mr. Abuyounes, which was approximately 40% of his 2017 annual base salary. The schedule below indicates the mix of performance objectives for each of our named executive officers:

Name	Consolidated Target	Qualitative Target
Frank F. Khulusi	100%	—
Robert J. Miley	100	—
Brandon H. LaVerne	67	33%
Robert I. Newton	—	100
Simon M. Abuyounes	67	33

In addition to the above, Mr. Miley was eligible to receive an additional annual incentive up to \$100,000 tied to the achievement of certain SG&A targets which were not met as of December 31, 2017 and therefore none of this amount was earned. All amounts funded under the Plan were subject to increase or reduction for each named executive officer at the sole discretion of the Committee based upon qualitative or quantitative factors which the Committee may deem appropriate from time to time. In addition to participation in the Plan, all of our executive officers were eligible for additional discretionary bonuses as could be determined by the Committee. No cash incentive was earned until it was paid under any of these plans. Therefore, in the event the employment of an executive eligible under these plans terminated (either by the Company or by the eligible executive, whether voluntarily or involuntarily) before a cash incentive was paid, the executive was not deemed to have earned that incentive and it was not paid.

Under the 2017 Plan, the Company achieved 68% of the Annual Consolidated Target, as adjusted, which together with achievement of certain quarterly targets, resulted in payouts to each of the participating executives in the amounts shown in the tables below for the quantitative portion of their respective cash incentive opportunity under the plan. The Compensation Committee calculated the 2017 Annual Consolidated Target utilizing EBITDA from continuing operations. Additionally, based on the recommendation of our Chief Executive Officer, the Compensation Committee awarded each of Messrs. LaVerne, Newton and Abuyounes 100%, 100% and 82.5% of the qualitative portion of their respective incentive opportunity under the Plan.

The following table illustrates the calculation of the EBITDA, as adjusted, applicable for the 2017 Plan (in thousands):

	<u>Consolidated</u>
2017 Operating Profit, as reported	\$ 11,441
Depreciation & Amortization	14,181
Equity Income from Unconsolidated Affiliate	<u>528</u>
2017 EBITDA	26,150
Add: Severance & restructuring related costs	6,818
Add: M&A and related litigation costs and fees	2,803
Add: Stock based compensation	2,604
Add: UK startup costs	5,099
Add: Foreign exchange loss	<u>67</u>
2017 EBITDA, as adjusted	<u>\$ 43,541</u>
2017 Performance Target	\$ 63,600
Achievement Percentage	68%
Payout Percentage(1)	12%

(1) The Payout Percentage equals the actual amount paid to the executive as a percentage of his respective quantitative target under the Plan. The Payout Percentage reflects the net effect of the quarterly and annual application of the accelerators and decelerators described above.

The following table shows the 100% payout targets for each component of the 2017 Plan for each of our named executive officers participating in the plan, together with the actual cash incentive amounts awarded for such periods under the plan:

Name	Consolidated Incentive at Target	Consolidated Incentive Achieved	Qualitative Incentive at Target	Qualitative Incentive Achieved
Frank F. Khulusi	\$ 516,460	\$ 61,975	—	—
Robert J. Miley	200,000	24,000	—	—
Brandon H. LaVerne	102,510	12,301	50,490	50,490
Robert I. Newton	—	—	152,000	152,000
Simon M. Abuyounes	98,490	11,819	48,510	40,021

The aggregate cash incentives earned by each of our named executive officers for 2017 were as follows:

Name	Aggregate Incentive Target	Aggregate Incentive Achieved	% of Incentive Achieved
Frank F. Khulusi	\$ 516,460	\$ 61,975	12%
Robert J. Miley	300,000	24,000	8
Brandon H. LaVerne	153,000	62,791	41
Robert I. Newton	152,000	152,000	100
Simon M. Abuyounes	147,000	51,840	35

Long-Term Incentive Compensation

Our long-term incentive compensation has historically consisted of stock option or RSU grants, which have been awarded under our equity incentive plans and administered by the Compensation Committee. We have made periodic grants of stock options and RSUs to executives for the purpose of aligning their long-term motivations with the interests of our stockholders and in consideration of the fact that we offer no other significant long-term, deferred or retirement compensation to our executive officers.

The Compensation Committee is not tied to any particular process or formula to determine the size of the long-term incentive awards granted to our named executive officers. Consequently, the Committee uses its discretion to grant equity awards and may consider the various factors discussed below. In fiscal 2017, to determine the size of the equity awards for our named executive officers, the Committee first reviewed our Chief Executive Officer's recommendations for options and RSUs to be granted during fiscal 2017 to our executive officers other than the Chief Executive Officer. In each case, the Committee then made determinations of the specific amounts and terms of stock options and RSUs to be granted to each executive officer, including our Chief Executive Officer, based on its subjective consideration of the recommendations of the Chief Executive Officer, historical grant information, the Committee's views of comparative compensation data provided to the Committee by Towers Watson in its May 2013 report and other market compensation data, retention and motivational factors, corporate performance, individual performance, the executive's level of responsibility, the potential impact that the executive could have on our operations and financial condition and the market price of our common stock.

Stock options and RSUs have historically generally been granted to our executive officers based on a subjective and market-based evaluation by the Compensation Committee (based in part upon recommendations from our Chief Executive Officer with respect to executive officers other than the Chief Executive Officer) of a recipient's contributions and continuing value to us and the performance of his or her respective operational areas of responsibility. Compensation previously realized by our executive officers from the exercise of vested options or the vesting of RSUs historically has not been considered by our Compensation Committee when giving new equity awards but may be considered when making future grants.

In determining what long-term incentive programs to offer our executive officers, the Compensation Committee considers the impact of ASC 718 (formerly SFAS 123R "Share-Based Payment") which requires us to expense the compensation costs related to stock option awards and RSUs ratably over their vesting periods.

From time to time, our Compensation Committee evaluates the structure of our long-term incentive programs and may make modifications to these programs to reflect our changing needs and our need to attract, retain and motivate our executive officers. These changes may be based, in part, on market conditions and the compensation programs of our competitors. As new long-term incentive instruments are developed and the tax and accounting treatment of various instruments are subject to change over time, management and the Compensation Committee regularly review our compensation programs to determine whether these programs are accomplishing our goals in a cost-effective manner.

The final compensation report of Towers Watson provided to the Compensation Committee in May 2013 included long-term, non-cash incentive compensation market competitive data and analysis which was reviewed and considered by the Committee in determining the 2017 stock option and RSU grants to executives. This data and analysis contemplated the annualized expected value of equity award grants ultimately provided to our executive officers relative to long-term, non-cash incentive compensation provided to peer group executives. The value of each grant also was analyzed for its effect on total compensation, representing the long-term, non-cash component of our executive compensation. The Committee determined that the level of each grant in 2017 to each of our executive officers was within the range of annual long-term, non-cash incentive compensation relative to the considered peer groups for each executive officer and further determined that the level of each grant in 2017 to each executive officer when considered together with the total cash compensation for 2017 placed the level of 2017 total compensation for each executive officer within the market range.

Timing, Pricing and Terms of Share-Based Awards

We have generally considered share-based awards to our executive officers at regularly scheduled meetings of the Compensation Committee. Formal approval of share-based awards is obtained on the date of grant. We do not have, and do not intend to have, any program, plan or practice to time share-based awards in coordination with the release of material non-public information. We also do not have, and do not intend to have, any program, plan or practice to time the release of material non-public information for the purpose of affecting the value to executive compensation. The exercise price for stock options we have granted equals the closing price of our common stock on the grant date. We have granted fixed-price stock options that generally vest in equal quarterly installments usually over a three to five year period. Our share-based award grants have not historically contained performance vesting features.

Because the value of share-based awards increase only if the price of our common stock increases after grant, the time vesting feature of our share-based awards has been intended as an important feature of each grant designed to motivate our executive officers to enhance our stockholders' value over a long-term period.

Employment Agreements and Severance and Change-in-Control Arrangements

In January 1995, prior to our initial public offering, we entered into an employment agreement with Frank F. Khulusi, our Chairman, President and Chief Executive Officer. Mr. Khulusi's employment agreement, which was amended in December 2005 and in December 2008, provides for one-year extensions unless it is terminated by us or Mr. Khulusi. Mr. Khulusi's annual salary pursuant to his employment agreement has been increased or decreased periodically and was \$833,000 before he voluntarily reduced his annual salary by \$250,000 to \$583,000 in December 2014 and continued until May 3, 2016 at which point Mr. Khulusi's base salary was reinstated to its prior annual rate of \$833,000. Mr. Khulusi is eligible to participate in our employee benefit plans that are generally available to similarly situated employees.

Mr. Khulusi's employment agreement provides that he is entitled to certain severance benefits in the event of a change of control or if his employment is terminated by us without cause or by Mr. Khulusi for good reason as follows:

- If Mr. Khulusi's employment is terminated by the Company without cause (which may occur at any time upon 90 days' advance written notice to Mr. Khulusi), the Company will pay him his salary through the end of the notice period and, in addition, a lump sum amount equal to two times the total salary and bonus compensation paid to him for the twelve months immediately preceding the notice of termination, in each case subject to the December 2008 amendment of Mr. Khulusi's employment agreement which amended the agreement to clarify that the agreement is intended to comply with Section 409A of the United States Internal Revenue Code and related regulations in all instances and that any payments which would cause non-compliance will be delayed in a manner necessary for compliance;
- If Mr. Khulusi's employment is terminated by him for good reason (which may occur upon 30 days' advance written notice to the Company), including as a result of the Company notifying him of its decision to not renew the employment agreement for an additional period as described above, the Company will pay him a lump sum upon such termination equal to two times the total salary and bonus compensation paid to him for the twelve months immediately preceding the notice of termination; and
- In the event of a change of control of the Company, upon consummation of the change of control, Mr. Khulusi's employment agreement will terminate and he will receive a lump sum payment equal to two times the total salary (which for this purpose, Mr. Khulusi's base salary is deemed to be \$833,000 as provided in his employment agreement, as amended) and short-term cash incentive compensation paid to him for the twelve months immediately preceding the change of control.

If the severance payment payable under his employment agreement in the event of a change of control, either alone or together with other payments he has the right to receive from us, would not be deductible (in whole or in part) by the Company as a result of the payment constituting a "parachute payment" under Section 280G of the Internal Revenue Code, the severance payment under the employment agreement will be reduced to the maximum deductible amount under the Code.

For the purposes of Mr. Khulusi's employment agreement, a "change of control" of the Company will be deemed to have occurred if:

- there is consummated (i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of 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 prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, (ii) any reverse merger in which the Company is the continuing or surviving corporation but in which securities possessing more than 50% of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who hold such securities immediately prior to the merger, or (iii) any sale, lease, exchange or other transfer (in one or more related transactions) of all, or substantially all, of the assets of the Company;
- our stockholders approve a plan or proposal for the liquidation or dissolution of us;
- any person other than Mr. Khulusi or certain of his relatives or affiliates become the direct or indirect beneficial owners of 20% or more of our common stock (other than as a result of purchases by such person directly from us); or
- during any 12-month period, individuals who at the beginning of the period constitute our entire Board of Directors cease for any reason to constitute a majority thereof unless the election, or the nomination for election by our stockholders, of each new director was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period.

If Mr. Khulusi's employment is terminated due to death or disability, the terms of his employment agreement require that he (or his beneficiaries, as applicable) be paid his salary through the end of the month in which the termination occurs. If Mr. Khulusi is terminated for cause (which may occur upon 30 days' advance written notice to Mr. Khulusi), the terms of his employment agreement require that he be paid his salary through the end of the notice period.

In October 2014, we entered into an employment agreement with Robert Jay Miley, our President. Pursuant to the terms of our agreement with Mr. Miley, he is an "at will" employee. Mr. Miley is currently entitled to an annual base salary of \$500,000. He is also eligible to participate in our executive incentive plan in the discretion of our Compensation Committee, and may receive discretionary bonuses from time to time in the discretion of our Compensation Committee with the input of our Chief Executive Officer. Mr. Miley is entitled to severance pay equal to twelve months of his then-current annual base salary in the event his employment is terminated without cause. The severance payment would be made in one lump sum and is contingent upon his execution of a satisfactory severance and release agreement. Mr. Miley is eligible to participate in benefit plans generally available to similarly situated employees.

Each of Messrs. LaVerne and Abuyounes is an “at will” employee. Mr. LaVerne is currently entitled to an annual base salary of \$381,000 and Mr. Abuyounes is currently entitled to an annual base salary of \$367,000. Each is eligible to participate in our executive incentive plan in the discretion of our Compensation Committee, and may receive discretionary bonuses from time to time in the discretion of our Compensation Committee with the input of our Chief Executive Officer. We have entered into severance agreements with each of Messrs. LaVerne and Abuyounes, pursuant to which each is entitled to severance pay equal to six months of his annual base salary in the event his employment is terminated without cause within a twelve month period following a change-in-control of our company. The severance payments would be made in equal installments over six months and are contingent upon their execution of a satisfactory severance and release agreement. Each of Messrs. LaVerne and Abuyounes receives a monthly automobile allowance of \$1,000 and is eligible to participate in our employee benefit plans that are generally available to similarly situated employees.

In June 2004, we entered into an employment agreement with Robert I. Newton, our Executive Vice President, Chief Legal Officer and Secretary. Mr. Newton’s employment agreement was amended in February 2005. Pursuant to the terms of our agreement with Mr. Newton, he is an “at will” employee. Mr. Newton is currently entitled to an annual base salary of \$378,000. Mr. Newton is eligible to participate in the qualitative components of our executive incentive plan in the discretion of our Compensation Committee, and may receive additional discretionary bonuses from time to time in the discretion of our Compensation Committee with the input of our Chief Executive Officer. Mr. Newton is also entitled to severance pay equal to six months of his annual base salary in the event his employment is terminated without cause. The severance payments would be made in equal installments over six months and are contingent upon his execution of a satisfactory severance and release agreement. Mr. Newton receives a monthly automobile allowance of \$1,000 and is eligible to participate in our employee benefit plans that are generally available to similarly situated employees.

In addition to the above discussed agreements, under the terms of our option and RSU agreements with our executive officers, upon the occurrence of a change of control of our company, subject to certain limitations, all of the unvested stock options and RSUs for Messrs. Khulusi, LaVerne and Newton will become fully vested.

The stock options and RSUs held by Mr. Miley provide that in the event of a change of control in which Mr. Miley’s stock options or RSUs are not assumed or replaced, a portion of his unvested awards then outstanding will become vested upon the change of control in an amount equal to two years of accelerated vesting plus an additional prorata portion of the applicable next cliff vesting quarterly or annual amount under the respective award based on time served. In the event Mr. Miley’s awards are assumed or replaced (by a comparable award) in connection with a change of control transaction, Mr. Miley is entitled to accelerated vesting of his then unvested outstanding awards in an amount equal to one year of accelerated vesting. Mr. Miley is further entitled to full acceleration of vesting following a change of control with respect to any remaining portion of the unvested awards which do not accelerate upon the change of control as described above and which are assumed or replaced in the transaction if his employment is terminated by the successor entity without cause or by Mr. Miley for “good reason” within twelve (12) months of the change of control.

The stock options and RSUs held by Mr. Abuyounes provide that, in the event of a change of control, a portion of the unvested options and RSUs then outstanding in the amount of one year plus a quarter of accelerated vesting will become vested if the option or RSU is not assumed or replaced (by an option, RSU or comparable cash incentive) by the successor entity as part of such transaction or, if assumed or replaced, his employment is terminated by the successor entity without cause or by Mr. Abuyounes for “good reason” within twelve (12) months of the change of control.

The employment agreements and severance and change-in-control benefits provided to our executives under these agreements were approved by our Compensation Committee or full Board following our negotiations with our executive officers and were determined to be reasonable and necessary in order to hire and retain these individuals. Mr. Khulusi’s agreement was originally executed in 1995 and at that time we established certain change-in-control and severance protections for Mr. Khulusi. We believe that it is important to provide continued professional stability to those executive-level employees who helped build our company and whose leadership is important to our continued success. Further, we believe that the interests of our stockholders will be best served if the interests of our most senior management are aligned with them. Providing change in control benefits, including the severance and share-based award acceleration benefits, is designed to reduce the reluctance of senior management to pursue potential change of control transactions that may be in the best interests of our stockholders. The severance and change-in-control benefits offered to our executive officers did not affect the Compensation Committee’s determination of the total compensation, or any component of compensation, we provided to our executive officers in 2017.

Copies of each of the above-referenced employment agreements, as well as summaries of our executive bonus plans, are filed as exhibits to our periodic reports filed with the Securities and Exchange Commission.

Perquisites and Other Benefits

We provide our executive officers, including our Chief Executive Officer, with perquisites that we believe are reasonable, competitive and consistent with our overall executive compensation program. We believe that our perquisites help us to hire and retain qualified executives. For additional information regarding perquisites we provided to each of our named executive officers please refer to the “Summary Compensation Table” below.

Consideration of Deductibility of Compensation

The deductibility of compensation that may be paid to our executive officers is just one of many factors we consider in structuring our compensation programs. Given our changing industry and business, as well as the competitive market for outstanding executives, the Compensation Committee believes that it is important to retain the flexibility to design compensation programs consistent with its overall executive compensation philosophy even if some executive compensation is not fully deductible. Accordingly, the Compensation Committee reserves the right to approve elements of compensation for our officers that are not fully deductible.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the cash and non-cash compensation for fiscal years 2017, 2016 and 2015 awarded to or earned by our Chief Executive Officer, our Chief Financial Officer and each of our other three most highly compensated executive officers serving at the end of our most recent fiscal year whose total compensation exceeded \$100,000. The individuals listed in the following table are sometimes referred to as the “named executive officers.”

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Option Awards (\$)(3)</u>	<u>Stock Awards (\$)(1)</u>	<u>Non-Equity Incentive Plan Compensation</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Frank F. Khulusi <i>Chairman of the Board and Chief Executive Officer</i>	2017	\$ 833,000	\$ —	\$ —	\$ 1,350,000	\$ 61,975	\$ 7,760(2)	\$ 2,252,735
	2016	749,667	—	—	903,500	981,274	5,705(2)	2,640,146
	2015	583,000	—	—	686,700	74,241	6,887(2)	1,350,828
Robert J. Miley <i>President</i>	2017	500,000	—	201,212	206,250	24,000	7,355(2)	938,817
	2016	400,000	25,000	88,427	90,450	480,000	5,842(2)	1,089,719
	2015	400,000	—	—	117,720	28,750	4,463(2)	550,933
Brandon H. LaVerne <i>Chief Financial Officer</i>	2017	381,000	50,490	153,096	150,000	12,301	12,420(3)	759,307
	2016	346,330	45,716	190,118	—	176,351	17,819(4)	776,334
	2015	346,330	70,716	65,583	117,720	13,342	15,625(3)	629,316
Robert I. Newton <i>Executive Vice President, Chief Legal Officer and Secretary</i>	2017	378,000	152,000	153,096	150,000	—	16,500(3)	849,596
	2016	342,900	187,160	190,118	—	—	17,138(4)	737,316
	2015	342,900	187,160	65,583	117,720	—	17,401(4)	730,764
Simon M. Abuyounes <i>Executive Vice President — IT and Operations</i>	2017	367,000	40,021	153,096	150,000	11,819	17,378(4)	739,314
	2016	333,375	35,204	97,269	100,500	169,755	16,950(4)	753,053
	2015	333,375	85,204	65,583	117,720	12,843	16,421(4)	631,146

(1) Represents the aggregate grant date fair value of stock and option awards, valued in accordance with ASC 718, awarded to each of the named executive officers for each respective year. For a detailed discussion of the assumptions made in the valuation of stock and option awards, please see Notes 2 and 4 of our Notes to the Consolidated Financial Statements included in our original filing of this Annual Report on Form 10-K for the year ended December 31, 2017.

(2) Includes company matched 401(k) contributions on behalf of the executive and company sponsored award trip.

(3) Includes company matched 401(k) contributions on behalf of the executive and car allowance.

(4) Includes company matched 401(k) contributions on behalf of the executive, car allowance and company sponsored award trip.

Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are providing the following disclosure about the relationship of the annual total compensation of our employees to the annual total compensation of Mr. Khulusi, our Chairman and Chief Executive Officer. SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies.

CEO Pay Ratio

For 2017, the median of the annual total compensation of all of our employees, other than Mr. Khulusi, was \$41,600. Mr. Khulusi's annual total compensation, as reported in the total column of the 2017 Summary Compensation Table, was \$2,252,735. Based on this information, the ratio of the annual total compensation of Mr. Khulusi to the median of the annual total compensation of all employees was 55 to 1. We believe this ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

Identification of Median Employee

We selected December 31, 2017 as the date on which to determine our median employee. For purposes of identifying the median employee from our worldwide population base, we considered the gross cash compensation of all of our employees, as compiled from our payroll records, which includes information on base wages, bonus and commission. We selected gross cash compensation as it represents the principal form of compensation delivered to all of our employees and is readily available in each country. In addition, we measured compensation for purposes of determining the median employee using the 12-month period ending December 31, 2017. Compensation paid in foreign currencies was converted to U.S. dollars based on an average exchange rate for the relevant period, and represents wages paid to such employees in their local countries with different prevailing market wages, including over 1,000 employees located in Manila, Philippines.

The SEC's rules requiring pay ratio disclosure allow companies to exercise a significant amount of flexibility in making a determination as to who is the median employee and does not mandate that each public company use the same method. In addition, our compensation philosophy means fair pay based on a person's role in the Company, a subjective determination of the market value of that person's job and that person's performance in that position. As a result, the annual total compensation of our median employee is unique to that person and is not a good indicator of the annual total compensation of any of our other employees and is not comparable to the annual total compensation of employees at other companies. Similarly, we would not expect that the ratio of the annual total compensation of our CEO to our median employee to be a number that can be compared to the ratio determined by other companies in any meaningful fashion.

Grants of Plan-Based Awards (2017)

The following table sets forth information regarding equity awards granted to our named executive officers during the 2017 fiscal year:

Name	Grant Date	All Other Stock Awards: Number of Shares or Stock Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/sh)	Grant Date Fair Value of Stock and Option Awards (3)
Frank F. Khulusi	05/20/2017	72,000(1)	—	\$ —	\$ 1,350,000
Robert J. Miley	05/20/2017	—	23,000(2)	18.75	201,212
	05/20/2017	11,000(1)	—	—	206,250
Brandon H. LaVerne	05/20/2017	—	17,500(2)	18.75	153,096
	05/20/2017	8,000(1)	—	—	150,000
Robert I. Newton	05/20/2017	—	17,500(2)	18.75	153,096
	05/20/2017	8,000(1)	—	—	150,000
Simon M. Abuyounes	05/20/2017	—	17,500(2)	18.75	153,096
	05/20/2017	8,000(1)	—	—	150,000

(1) These RSUs vest annually in equal installments over five years.

(2) These options vest quarterly in equal installments over five years, with full vesting on May 20, 2022, and have a term of seven years.

(3) The grant date fair values of the stock and option awards granted were computed in accordance with ASC 718. For a detailed discussion of the assumptions made in the valuation of stock and option awards, please see Notes 2 and 4 of our Notes to the Consolidated Financial Statements included in our original filing of this Annual Report on Form 10-K for the year ended December 31, 2017.

Outstanding Equity Awards at Fiscal Year-End (2017)

The following table sets forth information regarding equity awards for each of our named executive officers outstanding as of December 31, 2017:

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Frank F. Khulusi	06/10/2011	50,000	—	8.00	06/10/2021	—	—
	08/10/2012	13,200	— ⁽¹⁾	5.55	08/10/2019	—	—
	05/20/2013	10,800	5,400 ⁽¹⁾	7.65	05/20/2020	—	—
	05/20/2013	—	—	—	—	7,200 ⁽²⁾	\$ 71,280
	05/20/2014	37,800	16,200 ⁽¹⁾	10.05	05/20/2021	—	—
	05/20/2014	—	—	—	—	14,400 ⁽²⁾	142,5600
	09/15/2015	—	—	—	—	42,000 ⁽³⁾	415,800
	05/20/2016	—	—	—	—	72,000 ⁽²⁾	712,800
	05/20/2017	—	—	—	—	72,000 ⁽²⁾	712,800
	Robert J. Miley	12/04/2014	—	—	—	—	40,000 ⁽²⁾
09/15/2015		—	—	—	—	7,200 ⁽³⁾	71,280
05/20/2016		6,000	14,000 ⁽¹⁾	10.05	05/20/2023	—	—
05/20/2016		—	—	—	—	7,200 ⁽²⁾	71,280
05/20/2017		2,300	20,700 ⁽¹⁾	18.75	05/20/2024	—	—
Brandon H. LaVerne	05/20/2017	—	—	—	—	11,000 ⁽²⁾	108,900
	06/10/2011	6,250	—	8.00	06/10/2021	—	—
	08/10/2012	10,000	—	5.55	08/10/2019	—	—
	05/20/2013	7,700	1,400 ⁽¹⁾	7.65	05/20/2020	—	—
	05/20/2013	—	—	—	—	1,800 ⁽²⁾	17,820
	05/20/2014	8,250	4,500 ⁽¹⁾	10.05	05/20/2021	—	—
	05/20/2014	—	—	—	—	4,800 ⁽²⁾	47,520
	09/15/2015	6,750	8,250 ⁽¹⁾	9.53	09/15/2022	—	—
	09/15/2015	—	—	—	—	7,200 ⁽³⁾	71,280
	05/20/2016	12,900	30,100 ⁽¹⁾	10.05	05/20/2023	—	—
Robert I. Newton	05/20/2017	1,750	15,750 ⁽¹⁾	18.75	05/20/2024	—	—
	05/20/2017	—	—	—	—	8,000 ⁽²⁾	79,200
	08/21/2009	25,000	—	7.99	08/21/2019	—	—
	02/26/2010	25,000	—	4.66	02/26/2020	—	—
	06/10/2011	25,000	—	8.00	06/10/2021	—	—
	08/10/2012	2,000	—	5.55	08/10/2019	—	—
	05/20/2013	11,700	1,300 ⁽¹⁾	7.65	05/20/2020	—	—
	05/20/2013	—	—	—	—	1,600 ⁽²⁾	15,840
	05/20/2014	10,500	4,500 ⁽¹⁾	10.05	05/20/2021	—	—
	05/20/2014	—	—	—	—	4,800 ⁽²⁾	47,520
Simon M. Abuyounes	09/15/2015	6,750	8,250 ⁽¹⁾	9.53	09/15/2022	—	—
	09/15/2015	—	—	—	—	7,200 ⁽³⁾	71,280
	05/20/2016	12,900	30,100 ⁽¹⁾	10.05	05/20/2023	—	—
	05/20/2017	1,750	15,750 ⁽¹⁾	18.75	05/20/2024	—	—
	05/20/2017	—	—	—	—	8,000 ⁽²⁾	79,200
	11/07/2008	30,000	—	4.01	11/07/2018	—	—
	08/21/2009	25,000	—	7.99	08/21/2019	—	—
	02/26/2010	25,000	—	4.66	02/26/2020	—	—
	06/10/2011	25,000	—	8.00	06/10/2021	—	—
	08/10/2012	20,000	—	5.55	08/10/2019	—	—
Simon M. Abuyounes	05/20/2013	10,800	1,200 ⁽¹⁾	7.65	05/20/2020	—	—
	05/20/2013	—	—	—	—	1,400 ⁽²⁾	13,860
	05/20/2014	10,500	4,500 ⁽¹⁾	10.05	05/20/2021	—	—
	05/20/2014	—	—	—	—	4,800 ⁽²⁾	47,520
	09/15/2015	6,750	8,250 ⁽¹⁾	9.53	09/15/2022	—	—
	09/15/2015	—	—	—	—	7,200 ⁽³⁾	71,280
	05/20/2016	6,600	15,400 ⁽¹⁾	10.05	05/20/2023	—	—
	05/20/2016	—	—	—	—	8,000 ⁽²⁾	79,200
	05/20/2017	1,750	15,750 ⁽¹⁾	18.75	05/20/2024	—	—
	05/20/2017	—	—	—	—	8,000 ⁽²⁾	79,200

(1) These options vest quarterly in equal installments over five years.

(2) These RSUs vest annually in equal installments over five years.

(3) These RSUs vested 1/5 on May 20, 2016 with the remainder vesting annually in equal installments over four years.

Option Exercises and Stock Vested (2017)

The following table provides information regarding each exercise of stock option awards and vesting of RSU awards for each of our named executive officers during the fiscal year ended December 31, 2017:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Frank F. Khulusi	340,100	\$ 4,992,337	46,400	\$ 870,000
Robert J. Miley	—	—	24,200	273,750
Brandon H. LaVerne	29,025	543,493	6,600	123,750
Robert I. Newton	43,214	949,690	6,400	120,000
Simon M. Abuyounes	40,000	540,089	8,200	153,750

(1) Value realized was computed by calculating the difference between the market price of our common stock at the exercise date and the exercise prices of the options exercised.

Potential Payments Upon Termination or Change in Control (2017)

Provisions of our employment and change of control arrangements with the named executive officers and our equity incentive plan or individual award agreements thereunder provide for certain payments to our named executive officers at, following or in connection with a termination of their employment or a change of control of PCM. See “Employment Agreements and Severance and Change-in-Control Arrangements” in our Compensation Discussion and Analysis section above for a discussion of the specific circumstances that would trigger payments under the employment agreements with our named executive officers.

The agreements pursuant to which we granted stock options and RSUs to Mr. Khulusi, Mr. LaVerne and Mr. Newton provide for full acceleration of vesting of their unvested awards in the event of a change of control of our company. The stock options and RSUs held by Mr. Miley and Mr. Abuyounes provide that, in the event of a change of control, a portion of the unvested awards then outstanding will become fully vested. See “Employment Agreements and Severance and Change-in-Control Arrangements” in our Compensation Discussion and Analysis section above for a discussion of the specific circumstances and amount of equity award acceleration for each of these executives.

Under our stock incentive plans, a change of control is deemed to occur upon:

- the direct or indirect acquisition by any person or related group of persons of more than 50% of the total voting power of our outstanding stock;
- a change in the composition of our board over a period of 36 months or less such that a majority of our continuing directors cease to be members of our board;
- a merger or consolidation in which we are not the surviving entity or in which we survive as an entity but in which more than 50% of the voting power of our outstanding securities are transferred to persons different from those who held such securities immediately prior to such merger; or
- the sale, transfer or other disposition of all or substantially all of our assets or our liquidation or dissolution.

The table below sets forth the estimated payments that would be made to each of our named executive officers upon voluntary termination, involuntary termination, a change of control, and death or permanent disability. The actual amounts to be paid out can only be determined at the time of such named executive officer’s separation from PCM. The information set forth in the table assumes, as necessary:

- The termination and/or the qualified change in control event occurred on December 29, 2017 (the last business day of our last completed fiscal year);
- The price per share of our common stock on the date of termination is \$9.90 (the closing market price of our common stock on the Nasdaq Global Market on December 29, 2017); and

- With respect to unvested equity awards, the awards are not assumed or replaced as described above and do not remain outstanding following the change of control.

Name	Voluntary Termination	Death or Permanent Disability	Change of Control	Involuntary Termination
Frank F. Khulusi				
Employment Agreement	\$ 3,295,432(1)(2)	See(7)	\$ 3,295,432(2)(3)	\$ 3,295,432(2)(4)
Acceleration of Equity Awards	—	—	2,067,390(8)	—
Total	\$ 3,295,432	—	\$ 5,362,822	\$ 3,295,432
Robert J. Miley				
Employment Agreement	—	—	—	\$ 500,000(4)(5)
Acceleration of Equity Awards	—	—	\$ 522,720(8)	—
Total	—	—	\$ 522,720	\$ 500,000
Brandon H. LaVerne				
Employment Agreement	—	—	—	\$ 190,500(4)(6)
Acceleration of Equity Awards	—	—	\$ 222,023(8)	—
Total	—	—	\$ 222,023	\$ 190,500
Robert I. Newton				
Employment Agreement	—	—	—	\$ 189,000(4)(6)
Acceleration of Equity Awards	—	—	\$ 219,838(8)	—
Total	—	—	\$ 219,838	\$ 189,000
Simon M. Abuyounes				
Employment Agreement	—	—	—	\$ 183,500(4)(6)
Acceleration of Equity Awards	—	—	\$ 101,015(8)	—
Total	—	—	\$ 101,015	\$ 183,500

- (1) This severance benefit is provided pursuant to Mr. Khulusi's employment agreement if his employment with us is terminated by Mr. Khulusi for "good reason," as defined in his employment agreement, including if we choose to not renew the agreement.
- (2) Estimated severance payment is to be made in a single lump sum payment upon the termination or change of control, as applicable, subject to compliance with Section 409A of the Internal Revenue Code.
- (3) Pursuant to the terms of his employment agreement, to the extent the severance payment payable to Mr. Khulusi in the event of a change of control, either alone or together with other payments he has the right to receive from us, would not be deductible (in whole or in part) by us as a result of the payment constituting a "parachute payment" under Section 280G of the Internal Revenue Code, the severance payment will be reduced to the maximum deductible amount under the Code.
- (4) The amount indicated reflects payments upon a termination not for cause. In the event of the individual's termination for cause, no payment would be payable, except that pursuant to Mr. Khulusi's employment agreement, if he is terminated for cause (which may occur upon 30 days' advance written notice), he is to be paid his salary through the end of the notice period.
- (5) Severance payment is to be made in one lump sum in the first payroll period after a properly executed release, as defined in Mr. Miley's employment agreement, becomes irrevocable.
- (6) Severance payments are to be made in equal installments over a period of six months following the date of termination.
- (7) Upon executive's death, we are required to pay to executive's beneficiaries or estate the compensation to which he is entitled through the end of the month in which death occurs. Upon executive's disability, which in the sole opinion of the Board, if executive is not able to properly perform his duties for more than 270 days in the aggregate or 180 consecutive days in any twelve month period, then executive's employment shall terminate on the last day of the month in which the Board determines executive to be disabled and be entitled to executive's compensation through executive's last day of employment.
- (8) Represents the value of outstanding stock options and RSUs as of December 31, 2017 that would vest upon consummation of a change in control. Assumes that the vested options are immediately exercised and the shares received upon exercise are immediately resold at the assumed per share price on the date of termination. For details regarding acceleration terms for each of the named executive, please see "Employment Agreements and Severance and Change-in-Control Arrangements" in our Compensation Discussion and Analysis section above.

Director Compensation (2017)

The following table provides information regarding the compensation earned for services performed for us as a director by each member of our board of directors, other than directors who are also named executive officers, during the fiscal year ended December 31, 2017:

Name	Fees Earned or Paid in Cash	Stock Awards (1)(2)	Total
Thomas A. Maloof (3)	\$ 89,125	\$ 75,000	\$ 164,125
Ronald B. Reck (3)	83,250	75,000	158,250
Paul C. Heeschen (3)	73,500	75,000	148,500

- (1) Represents the aggregate grant date fair value of stock awards, valued in accordance with ASC 718, awarded to each of the directors during the 2017 fiscal year. For a detailed discussion of the assumptions made in the valuation of the option awards, please see Notes 2 and 4 of our Notes to the Consolidated Financial Statements included in our original filing of this Annual Report on Form 10-K for the year ended December 31, 2017.
- (2) On May 20, 2017, each of our non-employee directors was awarded 4,000 RSUs, which vest in two equal annual installments beginning on the first anniversary of the date of grant.
- (3) Each of our non-employee directors had the following aggregate number of option awards outstanding and vested as of December 31, 2017: Mr. Maloof —16,375, Mr. Reck —26,375 and Mr. Heeschen — none; and the following aggregate number of unvested RSUs as of December 31, 2017: Mr. Maloof —4,000, Mr. Reck —4,000 and Mr. Heeschen —4,000.

For 2017, each of our non-employee members of the Board received an annual Board retainer of \$56,000, plus an annual retainer of \$10,000 for service on the Audit Committee and \$7,500 for service on the Compensation Committee of the Board on which he or she served. The chairperson of each of our Audit and Compensation Committees also received an additional annual retainer of \$17,500 and \$8,750, respectively. Directors who are employed by us or any of our affiliates are not paid any additional compensation for their service on our board of directors. We reimburse each of our directors for reasonable out-of-pocket expenses that they incur in connection with attending board or committee meetings. We have entered into indemnification agreements with each of our directors, a form of which has been filed as an exhibit to our periodic reports filed with the Securities and Exchange Commission.

Our directors are also eligible to participate in our equity incentive plans, which are administered by our Compensation Committee under authority delegated by our board of directors. The terms and conditions of option and stock bonus grants to our non-employee directors under our equity incentive plans are and will be determined in the discretion of our Compensation Committee, consistent with the terms of the applicable plan.

Compensation Committee Interlocks and Insider Participation

Mr. Reck and Mr. Heeschen served as members of our Compensation Committee during the fiscal year ended December 31, 2017. There are no Compensation Committee interlocks between us and other entities involving our executive officers and Board members who serve as executive officers of such companies.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussions with management, the Committee recommended to our Board that the Compensation Discussion and Analysis be included in our Form 10-K for the year ended December 31, 2017 and our Proxy Statement for the 2018 Annual Meeting of Stockholders.

The Compensation Committee

Ronald B. Reck (Chair)
Paul C. Heeschen

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of our common stock as of April 20, 2018 by: (i) each of the executive officers listed in the Summary Compensation Table in this proxy statement (sometimes referred to herein as the “named executive officers”); (ii) each director; (iii) all of our current directors and executive officers as a group; and (iv) each person known to us to be the beneficial owner of more than 5% of the outstanding shares of our common stock. Percentage of ownership is based on an aggregate of 11,830,887 shares of our common stock outstanding on April 20, 2018. The table is based upon information provided by officers, directors and principal stockholders, as well as upon information contained in Schedules 13D and 13G filed with the SEC. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all of the shares of our common stock beneficially owned by them. Unless otherwise indicated, the address for each person is: c/o PCM, Inc., 1940 E. Mariposa Avenue, El Segundo, CA 90245.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
<i>5% or Greater Stockholders:</i>		
JB Capital Partners, LP(1)	1,209,619	10.2%
Dimensional Fund Advisors LP(2)	1,058,359	8.9
Amre A. Youness(3)	622,000	5.3
<i>Directors and Named Executive Officers:</i>		
Frank F. Khulusi	2,621,508(4)	21.8
Robert J. Miley	71,724(5)	*
Brandon H. LaVerne	83,470(6)	*
Robert I. Newton	164,726(7)	1.4
Simon M. Abuyounes	221,598(8)	1.8
Thomas A. Maloof	88,250(9)	*
Ronald B. Reck	53,250(10)	*
Paul C. Heeschen	66,914(11)	*
All current directors and executive officers as a group (8 persons)	3,371,440(12)	27.0%

* Less than 1%

- (1) Based on information contained in Schedule 13G/A filed on April 11, 2018 by JB Capital Partners, LP, JB Capital Partners, LP has shared voting power with respect to 1,209,619 shares of our common stock. Alan W. Weber, general partner of JB Capital Partners, LP, has sole voting and sole dispositive power with respect to 30,000 shares of our common stock and shared voting power with respect to 1,209,619 shares of our common stock. The address for JB Capital Partners, LP is 5 Evans Place, Armonk, New York, 10504.
- (2) Based on information contained in Schedule 13G/A filed on February 9, 2017 by Dimensional Fund Advisors LP, Dimensional Fund Advisors LP has sole voting power with respect to 1,017,573 shares of our common stock and sole dispositive power with respect to 1,058,359 shares of our common stock. According to the Schedule 13G/A, Dimensional Fund Advisors LP furnishes investment advice to four registered investment companies and serves as investment manager to certain other commingled group trusts and separate accounts, collectively known as the “Funds.” In its role as investment advisor, sub-adviser and/or manager, neither Dimensional Fund Advisors LP nor its subsidiaries (collectively, “Dimensional”) possess voting and/or investment power over the securities of PCM that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of PCM held by the Funds. The address for Dimensional Fund Advisors LP is Building One, 6300 Bee Cave Road, Austin, Texas, 78746.
- (3) Based on information contained in Schedule 13G/A filed on February 12, 2003. The address for Mr. Youness is 310 North Lake Avenue, Pasadena, California 91101.
- (4) Consists of 2,434,665 shares held by the Khulusi Revocable Family Trust dated November 3, 1993, 3,443 shares held directly by Mr. Khulusi, 122,600 shares underlying options which are presently vested or will vest within 60 days of April 20, 2018 and 60,800 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (5) Includes 12,600 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 6,400 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (6) Includes 64,050 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 8,200 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (7) Includes 130,950 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 8,000 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (8) Includes 169,550 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 9,800 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (9) Includes 12,750 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 2,000 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (10) Includes 32,750 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 2,000 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (11) Includes 6,375 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 2,000 shares underlying RSU awards that will vest within 60 days of April 20, 2018.
- (12) This figure includes an aggregate of 551,625 shares issuable upon exercise of stock options which are presently vested or will vest within 60 days of April 20, 2018 and 99,200 shares underlying RSU awards that will vest within 60 days of April 20, 2018.

Equity Compensation Plan Information

The following table sets forth information about shares of our common stock that may be issued upon exercise of options, warrants and vesting of stock awards under all of our equity compensation plans as of December 31, 2017:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders	1,742,932	\$ 10.24 ⁽¹⁾	936,754 ⁽²⁾

(1) The weighted average exercise price is calculated solely on the exercise price of the outstanding options and does not reflect outstanding RSUs, which have no exercise price.

(2) Represents shares available for issuance under our 2012 Equity Incentive Plan as of December 31, 2017.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Review, Approval or Ratification of Transactions with Related Persons

As required by the rules of the Nasdaq Stock Market and pursuant to our Audit Committee Charter, we conduct an appropriate review of all related party transactions for potential conflict of interest situations on an ongoing basis and all such transactions must be approved by the Audit Committee or another independent body of the board. For purposes of this review, "related party transactions" include all transactions that are required to be disclosed pursuant to SEC regulations. As a part of this process, our general counsel reviews and monitors the terms and conditions of all related party transactions and informs the Audit Committee of any proposed transaction that is deemed a related party transaction. In cases in which a proposed transaction has been identified as a related party transaction, management presents information regarding the proposed related party transaction to the Audit Committee or another body of independent directors for consideration and approval. In considering related party transactions, the Audit Committee takes into account the fairness of the proposed transaction to the Company and whether the terms of such transaction are at least as favorable to our company as we would receive or be likely to receive from an unrelated third party in a comparable or substantially comparable transaction.

Certain Relationships and Related Transactions

We have entered into indemnification agreements with each of our current directors and executive officers that provide the maximum indemnity available to directors and officers under Section 145 of the Delaware General Corporation Law and our amended and restated certificate of incorporation, as well as certain procedural protections. We have also entered into transactions with certain of our directors and officers, as described under the section "Executive Compensation."

Sam U. Khulusi, the brother of Frank F. Khulusi, was employed as a Senior Vice President of PCM Logistics, LLC, a wholly-owned subsidiary of PCM, in fiscal year 2017. In fiscal year 2017, Sam U. Khulusi earned compensation in the amount of \$220,000 and he did not earn any bonus during 2017. Sam U. Khulusi is eligible to participate in our employee benefit plans that are generally available to similarly situated employees.

Simon M. Abuyounes, the brother-in-law of Frank F. Khulusi, was employed as the President of PCM Logistics, LLC in fiscal year 2013 and was appointed as Executive Vice President – IT, Operations and Commercial Sales of PCM, Inc. in April 2014, and currently serves as Executive Vice President – IT and Operations. Compensation paid to Mr. Abuyounes in fiscal year 2017, and our agreements with respect to his severance arrangements with our company are described under the section "Executive Compensation." Mr. Abuyounes is also eligible to participate in our employee benefit plans that are generally available to similarly situated employees.

We believe that each of the transactions and agreements described above contain comparable terms to those we could have obtained from unaffiliated third parties.

Director Independence

Nasdaq listing standards require that a majority of the members of a listed company's board of directors qualify as "independent," as affirmatively determined by the board of directors. After review of all of the relevant transactions or relationships between each director (and his family members) and us, our senior management and our independent registered public accounting firm, our Board of Directors has affirmatively determined that each of Mr. Maloof, Mr. Heeschen and Mr. Reck is "independent" within the meaning of the applicable Nasdaq listing standards.

Each member of our Board of Directors serving on our Audit, Compensation and Nominating and Corporate Governance committees is "independent" within the meaning of the applicable Nasdaq listing standards.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Principal Auditor Fees and Services

The following table sets forth the fees billed for services rendered by Deloitte & Touche LLP (“Deloitte”) for our fiscal years ended December 31:

Fees	2017	2016
Audit Fees	\$ 1,725,650	\$ 1,491,275
Audit-Related Fees	—	—
Tax Fees	346,825	468,195
Total	<u>\$ 2,072,475</u>	<u>\$ 1,959,470</u>

Audit Fees. Audit fees consist of fees for professional services rendered for the audit of our annual financial statements included in our annual reports on Form 10-K and review of our financial statements included in our quarterly reports on Form 10-Q, as well as for services that are normally provided in connection with statutory and regulatory filings or engagements. Audit fees include services rendered and billed relating to the audit of our internal control over financial reporting and the related attestation report on the effectiveness of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002.

Audit-Related Fees. Audit-related fees include fees for assurance or related services regarding the audit or review of our financial statements, other than those reported above under the caption “Audit Fees.”

Tax Fees. Tax fees consist of fees for professional services rendered for tax compliance, tax advice or tax planning.

All Other Fees. Deloitte did not provide us, or bill us for, any products or services in 2016 and 2017, other than the services performed in connection with the fees reported under the captions “Audit Fees” and “Tax Fees” above.

Audit Committee Pre-Approval Policy

The audit committee of our board of directors has adopted a policy requiring that all services provided to us by our approved independent registered accounting firm be pre-approved by the audit committee. The policy pre-approves specific types of services that the independent registered accounting firm may provide us if the types of services do not exceed specified cost limits. Any type of service that is not clearly described in the policy, as well as any type of described service that would exceed the pre-approved cost limit set forth in the policy, must be explicitly approved by our audit committee prior to any engagement with respect to that type of service. Our audit committee reviews the pre-approval policy and establishes fee limits annually, and may revise the list of pre-approved services from time to time.

Additionally, our audit committee delegated to its chairman the authority to explicitly pre-approve engagements with our independent registered accounting firm, provided that any pre-approval decisions must be reported to our audit committee at its next scheduled meeting. If explicit pre-approval is required for any service, our Chief Financial Officer and our independent registered accounting firm must submit a joint request to the audit committee, or its authorized delegate, describing in detail the specific services proposed and the anticipated costs of those services, as well as a statement as to whether and why, in their view, providing those services will be consistent with the SEC’s rules regarding auditor independence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

- (1) Financial Statements — See Part II, Item 8 — Financial Statements of our original filing of this Form 10-K.
- (2) Financial Statement Schedule II — Valuation and Qualifying Accounts — See Part IV, Item 15 — Exhibits and Financial Statement Schedules of our original filing of this Form 10-K.
- (3) Exhibits — The following exhibits are filed or incorporated herein by reference as part of this report:

Exhibit Number	Description
2.1*	<u>Asset Purchase Agreement, dated March 12, 2015, by and among PCM Sales Acquisition, LLC, PCM, Inc., En Pointe Technologies Sales, Inc., Attiazaz "Bob" Din, and Michael Rapp (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A, dated April 1, 2015, filed with the Commission on April 29, 2015)</u>
2.2*	<u>Asset Purchase Agreement, dated November 17, 2015, by and among Intelligent IT, Inc., Acrodex Inc., PCM, Inc., Systemax Inc., and TigerDirect, Inc., TigerDirect CA, Inc., Global Gov/Ed Solutions, Inc., Infotel Distributors Inc., Tek Serv Inc., Global Computer Supplies, Inc., SYX Distribution Inc., SYX Services Inc., SYX North American Tech Holdings, LLC, Software Licensing Center, Inc. and Pocahontas Corp. (incorporated herein by reference to Exhibit 2.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Commission on March 15, 2016 (the "2015 Form 10-K"))</u>
2.3*	<u>Amendment No. 1 to Asset Purchase Agreement, dated December 1, 2015, by and among Intelligent IT, Inc., Acrodex Inc., PCM, Inc., Systemax Inc., and TigerDirect, Inc., TigerDirect CA, Inc., Global Gov/Ed Solutions, Inc., Infotel Distributors Inc., Tek Serv Inc., Global Computer Supplies, Inc., SYX Distribution Inc., SYX Services Inc., SYX North American Tech Holdings, LLC, Software Licensing Center, Inc. and Pocahontas Corp. (incorporated herein by reference to Exhibit 2.3 to the 2015 Form 10-K)</u>
2.4*	<u>Amendment No. 2 to Asset Purchase Agreement, dated January 2, 2016, by and among Intelligent IT, Inc., Acrodex Inc., PCM, Inc., Systemax Inc., and TigerDirect, Inc., TigerDirect CA, Inc., Global Gov/Ed Solutions, Inc., Infotel Distributors Inc., Tek Serv Inc., Global Computer Supplies, Inc., SYX Distribution Inc., SYX Services Inc., SYX North American Tech Holdings, LLC, Software Licensing Center, Inc. and Pocahontas Corp. (incorporated herein by reference to Exhibit 2.4 to the 2015 Form 10-K)</u>
2.5*	<u>Amendment No. 3 to Asset Purchase Agreement, dated February 14, 2016, by and among PCM Sales, Inc. (as successor to Intelligent IT, Inc.), Acrodex Inc., PCM, Inc., Systemax Inc., and TigerDirect, Inc., TigerDirect CA, Inc., Global Gov/Ed Solutions, Inc., Infotel Distributors Inc., Tek Serv Inc., Global Computer Supplies, Inc., SYX Distribution Inc., SYX Services Inc., SYX North American Tech Holdings, LLC, Software Licensing Center, Inc. and Pocahontas Corp. (incorporated herein by reference to Exhibit 2.5 to the 2015 Form 10-K)</u>
3.1	<u>Amended and Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1(C) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003 filed with the Commission on November 14, 2002)</u>
3.2	<u>Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Commission on March 18, 2013)</u>
3.3	<u>Certificate of Ownership and Merger merging PCM, Inc. with and into PC Mall, Inc. effective December 31, 2012 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on January 2, 2013)</u>
3.4	<u>Certificate of Secretary certifying amendment of Bylaws effective December 31, 2012 (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on January 2, 2013)</u>
10.1**	<u>Amended and Restated 1994 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010 filed with the Commission on August 9, 2010)</u>

- 10.2** [Employment Agreement, dated January 1, 1995, between Creative Computers, Inc. and Frank F. Khulusi \(incorporated herein by reference to the Company's Registration Statement on Form S-1, declared effective on April 4, 1995 \(the "1995 Form S-1"\)\)](#)
- 10.3** [Amendment to Employment Agreement made and entered into as of December 28, 2005, by and between PC Mall, Inc. and Frank F. Khulusi \(incorporated herein by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Commission on March 31, 2006 \(the "December 31, 2005 Form 10-K"\)\)](#)
- 10.4** [Second Amendment to Employment Agreement made and entered into as of December 28, 2005, by and between PC Mall, Inc. and Frank F. Khulusi \(incorporated herein by reference to Exhibit 10.33 to the December 31, 2005 Form 10-K\)](#)
- 10.5** [Employment Agreement, dated June 8, 2004, between PC Mall, Inc. and Rob Newton \(incorporated herein by reference to Exhibit 10.54 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 filed with the Commission on August 11, 2004 \(the "June 30, 2004 Form 10-Q"\)\)](#)
- 10.6** [Amendment to Employment Agreement, dated March 22, 2005, between PC Mall, Inc. and Rob Newton \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on form 8-K filed with the commission on March 25, 2005\)](#)
- 10.7** [Severance Agreement between AF Services, LLC and Brandon LaVerne \(incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 filed with the Commission on November 14, 2007 \(the "September 30, 2007 Form 10-Q"\)\)](#)
- 10.8** [Form of Executive Non-Qualified Stock Option Agreement under 1994 Stock Incentive Plan \(full acceleration upon change in control\) \(incorporated herein by reference to Exhibit 10.61 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed with the Commission on November 15, 2004 \(the "September 30, 2004 Form 10-Q"\)\)](#)
- 10.9** [Form of Executive Non-Qualified Stock Option Agreement under 1994 Stock Incentive Plan \(partial acceleration upon change in control\) \(incorporated herein by reference to Exhibit 10.62 to the September 30, 2004 Form 10-Q\)](#)
- 10.10** [Form of Indemnification Agreement between PC Mall, Inc. and each of its directors and executive officers \(incorporated herein by reference to Exhibit 10.48 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 filed with the Commission on March 31, 2003\)](#)
- 10.11** [Form of Director Restricted Stock Bonus Award Agreement under 1994 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.3 to the September 30, 2007 Form 10-Q\)](#)
- 10.12 [Lease Agreement, dated June 11, 2003, among PC Mall, Inc., PC Mall Canada, Inc. and Canaprev, Inc. for the premises located at 1100 University, 2nd Floor, Montreal \(Quebec\) Canada \(incorporated herein by reference to Exhibit 10.64 to the December 31, 2004 Form 10-K\)](#)
- 10.13 [Addendum to Lease Agreement, dated January 26, 2004, between PC Mall, Inc., PC Mall Canada, Inc. and Canaprev, Inc. for premises located at 1100 University, Montreal, Quebec, Canada, dated January 26, 2004 \(incorporated herein by reference to Exhibit 10.70 to the December 31, 2004 Form 10-K\)](#)
- 10.14 [Addendum No. 2, by and between Complexe Rue Universite S.E.C., PC Mall Canada, Inc. and PC Mall, Inc., dated January 10, 2008 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 15, 2008\)](#)
- 10.15** [Amendment to Employment Agreement made and entered into as of December 30, 2008, by and between PC Mall, Inc. and Frank F. Khulusi \(incorporated herein by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K filed with the Commission on March 16, 2009\)](#)
- 10.16 [Purchase Agreement, dated as of March 16, 2012, by and between Sarcom Properties, Inc. and M2 Marketplace, Inc. \(incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 filed with the Commission on May 10, 2012\)](#)

- 10.17** [PC Mall, Inc. 2012 Equity Incentive Plan \(incorporated herein by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A for the Company's 2012 Annual Meeting of Stockholders filed with the Commission on April 30, 2012\)](#)
- 10.18** [Form of Grant Notice and Option Agreement under the 2012 Equity Incentive Plan \(incorporated herein by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed with the Commission on August 9, 2012\)](#)
- 10.19** [Form of Restricted Stock Unit Agreement under the PCM, Inc. 2012 Equity Incentive Plan \(full acceleration upon change of control\) \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013\)](#)
- 10.20** [Form of Restricted Stock Unit Agreement under the PCM, Inc. 2012 Equity Incentive Plan \(partial acceleration upon change of control\) \(incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 24, 2013\)](#)
- 10.21** [Employment Agreement by and between PCM, Inc. and Robert J. Miley, dated October 31, 2014 \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on November 5, 2014\)](#)
- 10.22** [Third Amendment to Employment Agreement by and between PCM, Inc. and Frank F. Khulusi, dated November 6, 2014 \(incorporated herein by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Commission on March 16, 2015 \(the "2014 Form 10-K"\)\)](#)
- 10.23 [Purchase Agreement, dated December 23, 2014, by and between Sarcom Properties, Inc. and PCM, Inc. \(incorporated herein by reference to Exhibit 10.39 to the Company's 2014 Form 10-K\)](#)
- 10.24** [PCM, Inc. 2012 Equity Incentive Plan, as amended effective July 21, 2015 \(incorporated herein by reference to Appendix A to the Definitive Proxy Statement on Schedule 14A for the Company's 2017 Annual Meeting of Stockholders filed with the Commission on June 23, 2017\)](#)
- 10.25+ [Fourth Amended and Restated Loan and Security Agreement, dated as of January 19, 2016, by and among PCM, Inc. and all of its subsidiaries, certain lenders and Wells Fargo Capital Finance, LLC \(incorporated herein by reference to Exhibit 10.36 to the 2015 Form 10-K\)](#)
- 10.26 [First Amendment to Fourth Amended and Restated Loan and Security Agreement, dated as of July 7, 2016, by and among PCM, Inc. and all of its wholly-owned domestic and Canadian subsidiaries, certain lenders and Wells Fargo Capital Finance, LLC \(incorporated herein by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 filed with the Commission on August 9, 2016 \(the "June 30, 2016 Form 10-Q"\)\)](#)
- 10.27 [Second Amendment to Fourth Amended and Restated Loan and Security Agreement, dated as of February 24, 2017, by and among PCM, Inc., certain of its wholly-owned domestic and certain of its Canadian subsidiaries, certain lenders and Wells Fargo Capital Finance, LLC \(incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 2, 2017\)](#)
- 10.28 [Credit Agreement, dated as of July 7, 2016, by and among PCM, Inc. and Castle Pines Capital LLC \(incorporated herein by reference to Exhibit 10.2 to June 30, 2016 Form 10-Q\)](#)
- 10.29** [PCM, Inc. 2017 Cash Incentive Plan \(incorporated herein by reference to Appendix B to the Definitive Proxy Statement on Schedule 14A for the Company's 2017 Annual Meeting of Stockholders filed with the Commission on June 23, 2017\)](#)
- 10.30++ [Fifth Amended and Restated Loan and Security Agreement, dated as of October 24, 2017, by and among PCM, Inc. and all of its subsidiaries, certain lenders and Wells Fargo Capital Finance LLC](#)
- 21.1++ [Subsidiaries of the Registrant as of December 31, 2017](#)

- 23.1++ [Consent of Deloitte & Touche LLP](#)
- 31.1++ [Certification of the Chief Executive Officer of PCM, Inc. pursuant to Exchange Act Rule 13a-14\(a\)](#)
- 31.2++ [Certification of the Chief Financial Officer of PCM, Inc. pursuant to Exchange Act Rule 13a-14\(a\)](#)
- 31.3 [Certification of the Chief Executive Officer of PCM, Inc. pursuant to Exchange Act Rule 13a-14\(a\), required to be filed as an exhibit to this Amendment No. 1](#)
- 31.4 [Certification of the Chief Financial Officer of PCM, Inc. pursuant to Exchange Act Rule 13a-14\(a\), required to be filed as an exhibit to this Amendment No. 1](#)
- 32.1++ [Certification of the Chief Executive Officer of PCM, Inc. pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2++ [Certification of the Chief Financial Officer of PCM, Inc. pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101.INS++ XBRL Instance Document
- 101.SCH++ XBRL Taxonomy Extension Schema Document
- 101.CAL++ XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF++ XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB++ XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE++ XBRL Taxonomy Extension Presentation Linkbase Document

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- * Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Registrant hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the Securities and Exchange Commission. This agreement has been included to provide investors with information regarding its terms, however it is not intended to provide any other factual information about the parties. The agreement contains representations and warranties of the parties as of specified dates that are qualified by information in confidential disclosure schedules delivered in connection with signing the agreement. The assertions embodied in these representations and warranties were made solely for purposes of the agreement and may be subject to important qualifications and limitations agreed to by the parties in connection with negotiating its terms. Moreover, certain representations and warranties may not be accurate or complete as of any specified date because they are subject to a contractual standard of materiality that is different from certain standards generally applicable to stockholders or were used for the purpose of allocating risk between the parties rather than establishing matters as facts. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts at the time they were made or otherwise.
 - ** Management contract, or compensatory plan or arrangement.
 - + Confidential portions omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.
 - ++ Previously filed as an exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 2017 (File No. 0-25790) filed with the Commission on March 15, 2018.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PCM, INC.
(Registrant)

Date: April 30, 2018

By: /s/ FRANK F. KHULUSI

Frank F. Khulusi
Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, Frank F. Khulusi, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of PCM, Inc.; and
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: April 30, 2018

/s/ Frank F. Khulusi

Frank F. Khulusi
Chief Executive Officer

CERTIFICATION

I, Brandon H. LaVerne, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of PCM, Inc.; and
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: April 30, 2018

/s/ Brandon H. LaVerne

Brandon H. LaVerne
Chief Financial Officer
