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

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

Commission File Number: 0-25790

PCM, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-4518700**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1940 E. Mariposa Avenue
El Segundo, California 90245
(Address of principal executive offices)

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐

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

As of May 6, 2015, the registrant had 12,050,001 shares of common stock outstanding.

PCM, INC.

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PCM, INC.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except per share amounts and share data)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,289	$ 8,892
Accounts receivable, net of allowances of $410 and $426	187,575	199,604
Inventories	42,939	50,687
Prepaid expenses and other current assets	10,047	15,936
Deferred income taxes	4,857	3,922
Current assets of discontinued operations	429	26
Total current assets	253,136	279,067
Property and equipment, net	86,137	74,368
Goodwill	25,510	25,510
Intangible assets, net	4,587	4,673
Other assets	6,295	5,558
Non-current assets of discontinued operations	—	14
Total assets	$ 375,665	$ 389,190
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 117,509	$ 122,333
Accrued expenses and other current liabilities	24,716	26,107
Deferred revenue	3,891	10,089
Line of credit	49,240	52,795
Notes payable — current	4,091	3,741
Current liabilities of discontinued operations	486	577
Total current liabilities	199,933	215,642
Notes payable and other long-term liabilities	34,993	28,015
Deferred income taxes	12,167	12,217
Total liabilities	247,093	255,874
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.001 par value; 30,000,000 shares authorized; 15,789,497 and 15, 758,714 shares issued; and 12,223,919 and 12,267,550 shares outstanding	16	16
Additional paid-in capital	121,270	120,915
Treasury stock, at cost: 3,565,578 and 3,491,164 shares	(18,192)	(17,472)
Accumulated other comprehensive income	117	941
Retained earnings	25,361	28,916
Total stockholders' equity	128,572	133,316
Total liabilities and stockholders' equity	$ 375,665	$ 389,190

See Notes to the Condensed Consolidated Financial Statements.

PCM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except per share amounts)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net sales	$ 295,959	$ 325,337
Cost of goods sold	256,854	276,632
Gross profit	39,105	48,705
Selling, general and administrative expenses	44,312	42,577
Operating profit (loss)	(5,207)	6,128
Interest expense, net	771	943
Income (loss) from continuing operations before income taxes	(5,978)	5,185
Income tax expense (benefit)	(2,454)	2,151
Income (loss) from continuing operations	(3,524)	3,034
Loss from discontinued operations, net of taxes	(31)	(147)
Net income (loss)	$ (3,555)	$ 2,887
Basic and Diluted Earnings (Loss) Per Common Share		
Basic EPS:		
Income (loss) from continuing operations	$ (0.29)	$ 0.25
Loss from discontinued operations, net of taxes	—	(0.01)
Net income (loss)	$ (0.29)	$ 0.24
Diluted EPS:		
Income (loss) from continuing operations	$ (0.29)	$ 0.24
Loss from discontinued operations, net of taxes	—	(0.01)
Net income (loss)	$ (0.29)	$ 0.23
Weighted average number of common shares outstanding:		
Basic	12,230	11,932
Diluted	12,230	12,715

See Notes to the Condensed Consolidated Financial Statements.

PCM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net income (loss)	$ (3,555)	$ 2,887
Other comprehensive loss:		
Foreign currency translation adjustments	(824)	(379)
Total other comprehensive loss	(824)	(379)
Comprehensive income (loss)	$ (4,379)	$ 2,508

See Notes to the Condensed Consolidated Financial Statements.

PCM, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months ended March 31, 2015	Three Months ended March 31, 2014
Cash Flows From Operating Activities		
Net income (loss)	$ (3,555)	$ 2,887
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,699	2,760
Provision for deferred income taxes	(1,031)	130
Excess tax benefit related to stock option exercises	(6)	(205)
Non-cash stock-based compensation	421	331
Change in operating assets and liabilities:		
Accounts receivable	11,619	18,697
Inventories	7,755	45,314
Prepaid expenses and other current assets	5,627	4,360
Other assets	(821)	(647)
Accounts payable	(5,578)	(52,110)
Accrued expenses and other current liabilities	(2,404)	1,621
Deferred revenue	(6,197)	(5,201)
Total adjustments	12,084	15,050
Net cash provided by operating activities	8,529	17,937
Cash Flows From Investing Activities		
Purchases of property and equipment	(13,930)	(8,108)
Net cash used in investing activities	(13,930)	(8,108)
Cash Flows From Financing Activities		
Net payments under line of credit	(3,555)	(20,185)
Payments for deferred financing costs	(174)	—
Borrowings under notes payable	9,506	4,208
Payments under notes payable	(1,006)	(322)
Change in book overdraft	706	1,471
Payments of obligations under capital lease	(587)	(798)
Proceeds from stock issued under stock option plans	26	3,151
Excess tax benefit related to stock option exercises	6	205
Common shares repurchased and held in treasury	(720)	—
Net cash provided by (used in) financing activities	4,202	(12,270)
Effect of foreign currency on cash flow	(404)	(149)
Net change in cash and cash equivalents	(1,603)	(2,590)
Cash and cash equivalents at beginning of the period	8,892	9,992
Cash and cash equivalents at end of the period	$ 7,289	$ 7,402
Supplemental Cash Flow Information		
Interest paid	$ 788	$ 937
Income taxes paid	215	2,379
Supplemental Non-Cash Investing and Financing Activities		
Financed purchase of property and equipment	$ 453	$ 2,678

See Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation and Description of Company

PCM, Inc. is a leading multi-vendor provider of technology products, services and solutions offered through our dedicated sales force and field service teams and direct marketing channels. Since our founding in 1987, we have served our customers by offering products and services from vendors such as Apple, Cisco, Dell, HP, Ingram Micro, Lenovo, Microsoft and Tech Data. We add additional value by incorporating products and services into comprehensive solutions. Our sales and marketing efforts allow our vendor partners to reach multiple customer segments including small, medium and enterprise businesses, state, local and federal governments, educational institutions and individual consumers.

We have prepared the unaudited condensed consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and in conformity with accounting principles generally accepted in the United States of America, or GAAP, which requires us to make estimates and assumptions that affect amounts reported herein. We base our estimates and assumptions on historical experience and on various other factors that we believe to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, our actual results reported in future periods may be affected by changes in those estimates. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations for interim financial reporting. In the opinion of management, all adjustments, consisting only of normal recurring items which are necessary for a fair presentation, have been included. The results for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 16, 2015 and all of our other periodic filings, including Current Reports on Form 8-K, filed with the SEC after the end of our 2014 fiscal year and through the date of this report.

We operate under three reportable operating segments - Commercial, Public Sector and MacMall. Our segments are primarily aligned based upon their respective customer base. We include corporate related expenses such as legal, accounting, information technology, product management and other administrative costs that are not otherwise included in our reportable operating segments in Corporate & Other.

During 2014, we discontinued the operation of all four of our retail stores, located in Huntington Beach, Santa Monica and Torrance, California and Chicago, Illinois, and our OnSale and eCost businesses during. We reflected the results of these operations, which were historically reported as a part of our MacMall segment, as discontinued operations for all periods presented herein in our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations.

We sell primarily to customers in the United States, and maintain offices throughout the United States, as well as in Montreal, Canada and Manila, Philippines. In the three months ended March 31, 2015, we generated approximately 80% of our revenue in our Commercial segment, 12% of our revenue in our Public Sector segment and 8% of our revenue in our MacMall segment.

Our Commercial segment sells complex products, services and solutions to commercial businesses in the United States, using multiple sales channels, including a field relationship-based selling model, an outbound phone based sales force, a field services organization and an online extranet.

Our Public Sector segment consists of sales made primarily to federal, state and local governments, as well as educational institutions. The Public Sector segment utilizes an outbound phone and field relationship-based selling model, as well as contract and bid business development teams and an online extranet.

Our MacMall segment consists of sales made via telephone and the Internet to consumers, small businesses and creative professionals.

We have restated the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2014 to increase purchases of property and equipment and borrowing under a note payable by $4.1 million and decrease non-cash purchases of property and equipment by $4.1 million to correct an immaterial error from netting these amounts.

2. New Accounting Standards

In February 2015, the FASB issued ASU 2015-02, “Consolidation,” which amended the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. Adoption of ASU 2015-02 is not expected to have a material effect on our consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, “Income Statement - Extraordinary and Unusual Items,” with the objective of simplifying income statement presentation requirements by eliminating the concept of extraordinary items from GAAP, but retaining current presentation and disclosure requirements for an event or transaction that is of an unusual nature or of a type that indicates infrequency of occurrence. ASU 2015-01 is effective prospectively for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. Adoption of ASU 2015-01 is not expected to have a material effect on our consolidated financial statements.

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (“ASU 2014-08”), which amended guidance on the presentation of financial statements and reporting discontinued operations and disclosures of disposals of components of an entity within property, plant and equipment. ASU 2014-08 amends the definition of a discontinued operation and requires entities to disclose additional information about disposal transactions that do not meet the discontinued-operations criteria. ASU 2014-08 is effective for disposals that occur in annual periods (and interim periods therein) beginning on or after December 15, 2014. We had no disposals during the three months ended March 31, 2015. The adoption of ASU 2014-08 effective January 1, 2015 did not have an effect on our consolidated financial statements.

3. Goodwill and Intangible Assets

Goodwill

There was no change in goodwill during the three months ended March 31, 2015. Goodwill totaled $25.5 million as of March 31, 2015 and December 31, 2014, all of which related to our Commercial segment.

Intangible Assets

The following table sets forth the amounts recorded for intangible assets as of the periods presented (in thousands):

	Weighted Average Estimated Useful Lives (years)	At March 31, 2015			At December 31, 2014		
		Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Patent, trademarks & URLs	8	$ 3,300(1)	$ 36	$ 3,264	$ 3,593(1)	$ 307	$ 3,286
Customer relationships	10	2,550	1,227	1,323	2,550	1,163	1,387
Total intangible assets		$ 5,850	$ 1,263	$ 4,587	$ 6,143	$ 1,470	$ 4,673

(1) Included in the gross amounts for “Patent, trademarks & URLs” at March 31, 2015 and December 31, 2014 are $2.9 million of trademarks with indefinite useful lives that are not amortized.

Amortization expense for intangible assets was approximately $0.1 million for each of the three months ended March 31, 2015 and 2014. Estimated amortization expense for intangible assets in each of the next five years and thereafter is as follows: $0.2 million in the remainder of 2015, $0.3 million in each of the years 2016 through 2019 and $0.2 million thereafter.

4. Discontinued Operations

During 2014, we discontinued the operation of all four of our retail stores, located in Huntington Beach, Santa Monica and Torrance, California and Chicago, Illinois, and our OnSale and eCost businesses. We reflected the results of these operations, which were historically reported as a part of our MacMall segment, as discontinued operations for all periods presented herein. The revenues, operating and non-operating results of the discontinued operations are reflected in a single line item entitled “Loss from discontinued operations, net of taxes” on our Consolidated Statements of Operations, and the related assets and liabilities are presented in our Condensed Consolidated Balance Sheets in line items entitled “Current assets of discontinued operations,” “Non-current assets of discontinued operations” and “Current liabilities of discontinued operations” for all periods presented herein.

The carrying amounts of major classes of assets and liabilities that have been included in such balance sheet line items, as described above, in our Condensed Consolidated Balance Sheets were as follows (in thousands):

	March 31, 2015	December 31, 2014
Accounts receivable, net	$ 429	$ 19
Inventories, net	—	7
Current assets of discontinued operations	429	26
Other non-current assets	—	14
Non-current assets of discontinued operations	—	14
Total assets of discontinued operations	$ 429	$ 40
Accounts payable	$ 118	$ 116
Accrued expenses and other current liabilities	365	458
Deferred revenue	3	3
Current liabilities of discontinued operations	$ 486	$ 577

The operating results of our discontinued operations reported in "Loss from discontinued operations, net of taxes" in our Condensed Consolidated Statements of Operations were as follows (in thousands):

	Three Months Ended March 31,	
	2015	2014
Net sales	$ (6)	$ 13,716
Loss before income taxes	$ (31)	$ (261)
Income tax benefit	—	(114)
Loss from discontinued operations, net of taxes	$ (31)	$ (147)

5. Debt

The following table sets forth our outstanding debt as of the periods presented (in thousands):

	March 31, 2015	December 31, 2014
Revolving credit facility, Prime or LIBOR plus 1.75%, maturing in September 2017	$ 49,240	$ 52,795
Note payable, Prime or LIBOR plus 1.75%, maturing in September 2017	3,100	3,255
Note payable, Prime or LIBOR plus 1.75%, maturing in September 2017	1,498	1,571
Note payable, greater of 2% or LIBOR plus 2.15%, maturing in April 2022	4,930	—
Note payable, LIBOR plus 2.25%, maturing in January 2022	4,537	—
Notes payable, 4.12%, 4.33% and 4.60%, maturing in March 2017	4,043	4,524
Note payable, LIBOR plus 2.25%, maturing in April 2022	7,648	7,725
Note payable, Prime plus 0.375% or LIBOR plus 2.375%, maturing in September 2016	8,817	8,917
Note payable, 4.65% maturing in April 2015	82	164
Total	83,895	78,951
Less: Total current debt	53,331	56,536
Total non-current debt	$ 30,564	$ 22,415

The following table sets forth the maturities of our outstanding debt balance as of March 31, 2015 (in thousands):

	Remainder of 2015	2016	2017	2018	2019	Thereafter	Total
Total long-term debt obligations	$ 3,076	$ 12,203	$ 2,170	$ 1,645	$ 7,825	$ 7,736	$ 34,655
Revolving credit facility	—	49,240	—	—	—	—	49,240
Total	$ 3,076	$ 61,443	$ 2,170	$ 1,645	$ 7,825	$ 7,736	$ 83,895

Line of Credit and Related Notes

We maintain an asset-based revolving credit facility that provides for, among other things, (i) a credit limit of $200 million; (ii) LIBOR interest rate options that we can enter into with no limit on the maximum outstanding principal balance which may be subject to a LIBOR interest rate option; and (iii) a maturity date of September 30, 2017. The credit facility, which functions as a working capital line of credit with a borrowing base of inventory and accounts receivable, including certain credit card receivables, and a portion of the value of certain real estate, also includes a monthly unused line fee of 0.25% per year on the amount, if any, by which the Maximum Credit, as defined in the agreement, then in effect, exceeds the average daily principal balance of the outstanding borrowings during the immediately preceding month.

The credit facility is collateralized by substantially all of our assets. In addition to the security interest required by the credit facility, certain of our vendors have security interests in some of our assets related to their products. The credit facility has as its single financial covenant a minimum fixed charge coverage ratio (FCCR) requirement in the event an FCCR triggering event has occurred. An FCCR triggering event is comprised of maintaining certain specified daily and average excess availability thresholds. In the event the FCCR covenant applies, the fixed charge coverage ratio is 1.0 to 1.0 calculated on a trailing four-quarter basis as of the end of the last quarter immediately preceding such FCCR triggering event date. At March 31, 2015, we were in compliance with our financial covenant under the credit facility.

Loan availability under the line of credit fluctuates daily and is affected by many factors, including eligible assets on-hand, opportunistic purchases of inventory and availability and our utilization of early-pay discounts. At March 31, 2015, we had $61.0 million available to borrow for working capital advances under the line of credit.

In connection with, and as part of, our revolving credit facility, we maintain a term note with a principal balance of $4.34 million, payable in equal monthly principal installments of approximately $52,000, amortized over 84 months, beginning on April 1, 2013, plus interest at the prime rate with a LIBOR option. In the event of a default, termination or non-renewal of the revolving credit facility upon the maturity thereof, the term loan is payable in its entirety upon demand by the lenders.

In May 2013, we completed the purchase of real property adjacent to the building we own in Santa Monica, California for $3.0 million and financed $1.7 million of the purchase price with a sub-line under our revolving credit facility. The loan bears the same interest terms as our revolving credit facility and interest is payable monthly. The principal amount is amortized monthly over an 84 month period similar to our term note, with monthly principal amortization of approximately $24,000 that began in July 2014.

Other Notes Payable

In March 2015, we completed the purchase of real property in Irvine, California for approximately $5.8 million and financed $4.9 million with a long-term note. The loan agreement provides for a seven year term and a 25 year straight-line, monthly principal repayment amortization period that begins on May 1, 2015 with a balloon payment at maturity in April 2022. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility.

In January 2015, we completed the purchase of certain real property in Lewis Center, Ohio for approximately $6.6 million and financed $4.575 million with a long-term note. The $4.575 million term note provides for a seven year term and a 25 year straight-line, monthly principal repayment amortization period that began in February 2015 with a balloon payment at maturity in January 2022. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility.

Throughout 2014, we entered into three financing arrangements with a bank to finance the costs of equipment, software and professional services related to our ERP upgrade. The total amount financed was $5.6 million, with a quarterly repayment schedule maturing in March 2017.

In December 2012, we completed the purchase of 7.9 acres of land for approximately $1.1 million and have incurred additional costs of $12.2 million through December 31, 2014 towards the construction of a new cloud data center that we opened in June 2014.

In July 2013, we entered into a loan agreement for up to $7.725 million to finance the build out of the new data center. The loan agreement provides for a five year term and a 25 year straight-line, monthly principal repayment amortization period with a balloon payment at maturity in January 2020. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility.

In June 2011, we entered into a credit agreement to finance the acquisition and improvement of the real property we purchased in March 2011 in El Segundo, California. The credit agreement provides for a five year term and a 25 year straight-line, monthly principal repayment amortization period with a balloon payment at maturity in September 2016. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility.

At March 31, 2015, the effective weighted average annual interest rate on our outstanding amounts under the credit facility, term note and variable interest rate notes payable was 2.25%.

The carrying amounts of our line of credit borrowings and notes payable approximate their fair value based upon the current rates offered to us for obligations of similar terms and remaining maturities.

6. Income Taxes

Accounting for Uncertainty in Income Taxes

At March 31, 2015, we had no unrecognized tax positions. For the three months ended March 31, 2015 and 2014, we did not recognize any interest or penalties for uncertain tax positions. There were also no accrued interest and penalties at March 31, 2015 and 2014. We do not anticipate any significant increases in our unrecognized tax benefits within the next twelve months. Further, since we did not have any unrecognized tax benefits at March 31, 2015, we do not anticipate any significant decreases within the next twelve months.

We are subject to U.S. and foreign income tax examinations for years subsequent to 2009, and state income tax examinations for years following 2010. However, to the extent allowable by law, the tax authorities may have a right to examine prior periods when net operating losses or tax credits were generated and carried forward for subsequent utilization, and make adjustments up to the amount of the net operating losses or credit carryforwards.

7. Stockholders' Equity

We have a board approved discretionary stock repurchase program under which shares may be repurchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending on market conditions. We expect that the repurchase of our common stock under the program will be financed with existing working capital and amounts available under our existing credit facility. The repurchased shares are held as treasury stock. No limit was placed on the duration of the repurchase program. There is no guarantee as to the exact number of shares that we will repurchase. Subject to applicable securities laws, repurchases may be made at such times and in such amounts as our management deems appropriate. The program can also be discontinued at any time management feels additional purchases are not warranted. We repurchased a total of 74,414 shares of our common stock under this program during the three months ended March 31, 2015 for a total cost of approximately $0.7 million. From the inception of the program in October 2008 through March 31, 2015, we have repurchased an aggregate total of 3,148,900 shares of our common stock for a total cost of $17.2 million. At March 31, 2015, we had $2.8 million available in stock repurchases under this discretionary stock repurchase program, subject to any limitations that may apply from time to time under our existing credit facility.

We have never paid cash dividends on our capital stock and our credit facility prohibits us from paying any cash dividends on our capital stock. Therefore, we do not currently anticipate paying dividends; we intend to retain any earnings to finance the growth and development of our business.

8. Earnings (Loss) Per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding during the reported periods. Diluted EPS reflects the potential dilution that could occur under the treasury stock method if stock options and other commitments to issue common stock were exercised, except in loss periods where the effect would be antidilutive. For the three months ended March 31, 2015, since we reported a loss from continuing operations, all potential shares totaling 584,831 were excluded from the computation of diluted EPS as their inclusion would have been antidilutive. For the three months ended March 31, 2015, had we reported income from continuing operations, approximately 475,000 common shares would have been excluded from the calculation of diluted EPS because the effect of their inclusion would have been antidilutive. For the three months ended March 31, 2014, approximately 428,000 common shares have been excluded from the calculation of diluted EPS because the effect of their inclusion would be antidilutive.

The reconciliation of the amounts used in the basic and diluted EPS computation was as follows (in thousands, except per share amounts):

	Income From Continuing Operations	Weighted Average Number of Common Shares Outstanding	Per Share Amounts
Three Months Ended March 31, 2015:			
Basic EPS			
Loss from continuing operations	$ (3,524)	12,230	$ (0.29)
Effect of dilutive securities			
Dilutive effect of stock-based awards	—	—	
Diluted EPS			
Adjusted loss from continuing operations	$ (3,524)	12,230	$ (0.29)
Three Months Ended March 31, 2014:			
Basic EPS			
Income from continuing operations	$ 3,034	11,932	$ 0.25
Effect of dilutive securities			
Dilutive effect of stock-based awards	—	783	
Diluted EPS			
Adjusted income from continuing operations	$ 3,034	12,715	$ 0.24

9. Segment Information

Summarized segment information for our continuing operations for the periods presented is as follows (in thousands):

	Commercial	Public Sector	MacMall	Corporate & Other	Consolidated
Three Months Ended March 31, 2015					
Net sales	$ 236,534	$ 36,601	$ 22,834	$ (10)	$ 295,959
Gross profit	33,701	3,342	2,063	(1)	39,105
Depreciation and amortization expense(1)	646	7	18	2,028	2,699
Operating profit (loss)	7,819	675	(70)	(13,631)	(5,207)
Three Months Ended March 31, 2014					
Net sales	$ 252,121	$ 36,420	$ 36,799	$ (3)	$ 325,337
Gross profit	41,534	3,542	3,631	(2)	48,705
Depreciation and amortization expense(1)	612	13	22	1,926	2,573
Operating profit (loss)	17,658	574	821	(12,925)	6,128

(1) Primary fixed assets relating to network and servers are managed by the Corporate headquarters. As such, depreciation expense relating to such assets is included as part of Corporate & Other.

As of March 31, 2015 and December 31, 2014, we had total consolidated assets of $375.7 million and $389.2 million. Our management does not have available to them and does not use total assets measured at the segment level in allocating resources. Therefore, such information relating to segment assets is not provided herein.

10. Commitments and Contingencies

Total rent expense under our operating leases, net of sublease income, was $1.0 million and $1.2 million in each of the three month periods ended March 31, 2015 and 2014. Some of our leases contain renewal options and escalation clauses, and require us to pay taxes, insurance and maintenance costs.

Legal Proceedings

We are not currently a party to any material legal proceedings, other than ordinary routine litigation incidental to the business. From time to time, we receive claims of and become subject to consumer protection, employment, intellectual property and other litigation related to the conduct of our business. Any such litigation could be costly and time consuming and could divert our management and key personnel from our business operations. In connection with any such litigation, we may be subject to significant damages or equitable remedies relating to the operation of our business. Any such litigation may materially harm our business, results of operations and financial condition.

11. Subsequent Events

On April 1, 2015, we completed the acquisition of certain assets of En Pointe Technologies Sales, Inc. ("En Pointe"), one of the nation's largest independent IT solutions providers, headquartered in Southern California. We acquired the assets of En Pointe's IT solutions provider business, excluding current tangible assets, such as accounts receivable and inventory. Under the terms of the agreement, we paid an initial purchase price of $15 million in cash and will pay certain contingent earn-out consideration, including 22.5% of the future adjusted gross profit of the business and 10% of certain service revenues over the next three years. The assets were acquired by an indirect wholly-owned subsidiary of PCM, which subsidiary now operates under the En Pointe brand. The accounting for the acquisition of En Pointe is currently preliminary. The acquisition occurred in the second quarter of 2015, and we continue to obtain information relative to the fair values of certain assets acquired, certain liabilities assumed and any non-controlling interests in the transaction. Acquired assets and assumed liabilities include, but are not limited to, fixed assets, licenses, intangible assets and professional liabilities. The valuations will be based on appraisal reports, discounted cash flow analyses, actuarial analyses or other appropriate valuation techniques to determine the fair value of the assets acquired or liabilities assumed. We expect to finalize the purchase price allocation for En Pointe as soon as practical.

On April 7, 2015, we entered into a Fourth Amendment to Third Amended and Restated Loan and Security Agreement (the "Fourth Amendment") with certain lenders and Wells Fargo Capital Finance, LLC as administrative and collateral agent. The Fourth Amendment provides for, among other things: i) an increase in the Maximum Credit, as defined in the Fourth Amendment, from $200,000,000 to $250,000,000; ii) a Maturity Date of September 30, 2018; iii) an accordion feature to increase our Maximum Credit by $25 million at the option of the Borrowers and satisfaction of certain conditions; and iv) interest at LIBOR plus a margin, depending on average excess availability under the revolving line, ranging from 1.50% to 1.75%.

On April 28, 2015, our Board of Directors approved a $10 million increase to our discretionary stock repurchase program originally adopted in October 2008 (the "Stock Repurchase Program"). Since the inception of the program through April 28, 2015, we repurchased an aggregate total of 3,310,268 shares of our common stock for a total cost of $18.7 million. During the quarter ended March 31, 2015, we repurchased 74,414 shares for $0.7 million. As a result of the $10 million increase to our Stock Repurchase Program, as of April 28, 2015, we will have $11.3 million available in stock repurchases, subject to any limitations that may apply from time to time under our credit facility agreement.

In May 2015, after consideration of the tools acquired in the En Pointe acquisition, we determined that we would write-off approximately $3.2 million of internally developed software work in process related to our upcoming CRM system, which is one component of our overall ERP system conversion, in favor of a similar CRM system already configured and in production at En Pointe. We will record this charge in the three months ending June 30, 2015 in our consolidated financial statements.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations together with the consolidated financial statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described under "Risk Factors" in Part II, Item 1A and elsewhere in this report.

BUSINESS OVERVIEW

PCM, Inc. is a leading multi-vendor provider of technology products, services and solutions offered through our dedicated sales force and field service teams and direct marketing channels. Since our founding in 1987, we have served our customers by offering products and services from vendors such as Apple, Cisco, Dell, HP, Ingram Micro, Lenovo, Microsoft and Tech Data. We add additional value by incorporating products and services into comprehensive solutions. Our sales and marketing efforts allow our vendor partners to reach multiple customer segments including small, medium and enterprise businesses, state, local and federal governments, educational institutions and individual consumers.

We operate under three reportable operating segments - Commercial, Public Sector and MacMall. Our segments are primarily aligned based upon their respective customer base. We include corporate related expenses such as legal, accounting, information technology, product management and other administrative costs that are not otherwise included in our reportable operating segments in Corporate & Other.

During 2014, we discontinued the operation of all four of our retail stores, located in Huntington Beach, Santa Monica and Torrance, California and Chicago, Illinois, and our OnSale and eCost businesses. We reflected the results of these operations, which were historically reported as a part of our MacMall segment, as discontinued operations for all periods presented herein in our Consolidated Balance Sheets and Consolidated Statements of Operations.

We sell primarily to customers in the United States, and maintain offices throughout the United States, as well as in Montreal, Canada and Manila, Philippines. In 2014, we generated approximately 80% of our revenue in our Commercial segment, 12% of our revenue in our Public Sector segment and 8% of our revenue in our MacMall segment.

Our Commercial segment sells complex products, services and solutions to commercial businesses in the United States, using multiple sales channels, including a field relationship-based selling model, an outbound phone based sales force, a field services organization and an online extranet.

Our Public Sector segment consists of sales made primarily to federal, state and local governments, as well as educational institutions. The Public Sector segment utilizes an outbound phone and field relationship-based selling model, as well as contract and bid business development teams and an online extranet.

Our MacMall segment consists of sales made via telephone and the Internet to consumers, small businesses and creative professionals.

We experience variability in our net sales and operating results on a quarterly basis as a result of many factors. We experience some seasonal trends in our sales of technology products, services and solutions to businesses, government and educational institutions and individual customers. For example, the timing of capital budget authorizations for our commercial customers can affect when these companies can procure IT products and services. The fiscal year-ends of Public Sector customers vary for those in the federal government space and those in the state and local government and educational institution ("SLED") space. We generally see an increase in our second quarter sales related to customers in the SLED sector and in our third quarter sales related to customers in the federal government space as these customers close out their budgets for their fiscal year. We may also experience variability in our gross profit and gross profit margin as a result of changes in the various vendor programs we participate in and its effect on the amount of vendor consideration we receive from a particular vendor, which may be impacted by a number of events outside of our control. Also, consumer holiday spending contributes to variances in our quarterly results. As such, the results of interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the full year.

A substantial portion of our business is dependent on sales of Apple, HP, and products purchased from other vendors including Cisco, Dell, Ingram Micro, Lenovo, Microsoft and Tech Data. Products manufactured by HP represented approximately 15% and 22% of our net sales in each of the three months ended March 31, 2015 and 2014, and products manufactured by Apple represented approximately 13% and 16% of our net sales in each of the three months ended March 31, 2015 and 2014.

Our planned operating expenditures each quarter are based in large part on sales forecasts for the quarter. If our sales do not meet expectations in any given quarter, our operating results for the quarter may be materially adversely affected. Our narrow gross margins may magnify the impact of these factors on our operating results. Management regularly reviews our operating performance using a variety of financial and non-financial metrics including sales, shipments, gross margin, vendor consideration, advertising expense, personnel costs, account executive productivity, accounts receivable aging, inventory turnover, liquidity and cash resources. Our management monitors the various metrics against goals and budgets, and makes necessary adjustments intended to enhance our performance.

General economic conditions have an effect on our business and results of operations across all of our segments. If economic growth in the U.S. and other countries' economies slows or declines, government, consumer and business spending rates could be significantly reduced. These developments could also increase the risk of uncollectible accounts receivable from our customers. The economic climate in the U.S. and elsewhere could have an impact on the rate of information technology spending of our current and potential customers, which would impact our business and results of operations. These factors affect sales of our products, sales cycles, adoption rates of new technologies and level of price competition. We continue to focus our efforts on cost controls, competitive pricing strategies, and driving higher margin service and solution sales. We also continue to make selective investments in our sales force personnel, service and solutions capabilities and IT infrastructure and tools in an effort to meet vendor program requirements and to position us for enhanced productivity and future growth.

STRATEGIC DEVELOPMENTS

Real Estate Transactions

In March 2015, we completed the purchase of real property in Irvine, California for approximately $5.8 million and financed $4.9 million with a long-term note. The loan agreement provides for a seven year term and a 25 year straight-line, monthly principal repayment amortization period that begins on May 1, 2015 with a balloon payment at maturity in April 2022. This note bears interest at a variable rate of the greater of 2% or LIBOR plus 2.15% and payable monthly. The real property includes approximately 60,000 square feet of office and warehouse space and land. Certain of our subsidiaries were tenants of the building, which are continuing to use all of the office and warehouse space.

In January 2015, we completed the purchase of certain real property in Lewis Center, Ohio for approximately $6.6 million and financed $4.575 million with a long-term note. The $4.575 million term note provides for a seven year term and a 25 year straight-line, monthly principal repayment amortization period that began in February 2015 with a balloon payment at maturity in January 2022. This note bears interest at a variable rate of LIBOR plus 2.25% and payable monthly. The real property includes approximately 12.4 acres of land together with a building for office and warehouse space of approximately 144,000 square feet. One of our subsidiaries was the tenant of the building and it is currently being used as our second headquarters, sales office and distribution center.

For more information on the financing arrangements on the transactions discussed above, see Note 5 of the Notes to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ERP and Web Infrastructure Upgrades

We are currently upgrading many of our IT systems. We have purchased licenses for Microsoft Dynamics AX and other related Independent Software Vendor (ISV) modules (Tax, EDI, Freight, Pricing and Rebates) to provide a complete and robust solution. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features. We believe the implementation and upgrade should help us to gain further efficiencies across our organization. While it is difficult to estimate costs and time frames for completion, based on the complexity of the systems design, customization and implementation and our current estimates, which are subject to change, we currently expect to incur a cost of approximately $25 million for the major phases of the ERP upgrade. We have completed all major phases of the design, configuration and customization. We expect to complete the implementation and migration of certain of the legacy systems to the new ERP solution by the end of 2015. To date, we have incurred approximately $23.4 million of such costs. In addition to the above expenditures, we expect to make periodic upgrades to our IT systems on an ongoing basis. As part of the upgrades to our IT systems, we recently upgraded our eCommerce systems and launched a new generation of our public website and extranet at pcm.com, macmall.com, and pcmg.com, which are included in the amounts above. We also implemented various Cisco solutions to upgrade our communications infrastructure to provide a unified platform for our entire company and to provide a robust and efficient contact center.

In May 2015, after consideration of the tools acquired in the En Pointe acquisition, we determined that we would write-off approximately $3.2 million of internally developed software work in process related to our upcoming CRM system, which is one component of our overall ERP system conversion, in favor of a similar CRM system already configured and in production at En Pointe. We will record this charge in the three months ending June 30, 2015 in our consolidated financial statements.

Common Stock Repurchase Program

In September 2012, our Board of Directors approved a $10 million increase to our discretionary stock repurchase program, which was originally adopted in October 2008 with an initial authorized maximum of $10 million. At March 31, 2015, we had $2.8 million available in stock repurchases under the stock repurchase program, subject to any limitations that may apply from time to time under our existing credit facility. Under the program, the shares may be repurchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending on market conditions. No limit was placed on the duration of the repurchase program. There is no guarantee as to the exact number of shares that we will repurchase. Subject to applicable securities laws, repurchases may be made at such times and in such amounts as our management deems appropriate. The program can also be discontinued at any time management feels additional purchases are not warranted. We repurchased a total of 74,414 shares of our common stock under this program during the three months ended March 31, 2015 for a total cost of approximately $0.7 million. From the inception of the program in October 2008 through March 31, 2015, we have repurchased an aggregate total of 3,148,900 shares of our common stock for a total cost of $17.2 million. On April 28, 2015, our Board of Directors approved a further $10 million increase to the stock repurchase program, and as a result of such increase we had $11.3 million available in stock repurchases under the program, subject to any limitations that may apply from time to time under our credit facility agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses, as well as the disclosure of contingent assets and liabilities. Management bases its estimates, judgments and assumptions on historical experience and on various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Due to the inherent uncertainty involved in making estimates, actual results reported for future periods may be affected by changes in those estimates, and revisions to estimates are included in our results for the period in which the actual amounts become known.

Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material impact on our consolidated results of operations or financial position.

Management has discussed the development and selection of these critical accounting policies and estimates with the audit committee of our Board of Directors. We believe the critical accounting policies described below affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. For a summary of our significant accounting policies, including those discussed below, see Note 2 of the Notes to the Consolidated Financial Statements in Item 8, Part II, of our Annual Report on Form 10-K for the year ended December 31, 2014.

Revenue Recognition. We adhere to the guidelines and principles of sales recognition described in ASC 605 - *Revenue Recognition*. Under ASC 605, product sales are recognized when the title and risk of loss are passed to the customer, there is persuasive evidence of an arrangement for sale, delivery has occurred and/or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured. Under these guidelines, the majority of our sales, including revenue from product sales and gross outbound shipping and handling charges, are recognized upon receipt of the product by the customer. In accordance with our revenue recognition policy, we perform an analysis to estimate the number of days products we have shipped are in transit to our customers using data from our third party carriers and other factors. We record an adjustment to reverse the impact of sale transactions based on the estimated value of products that have shipped, but have not yet been received by our customers, and we recognize such amounts in the subsequent period when delivery has occurred. Changes in delivery patterns or unforeseen shipping delays beyond our control could have a material impact on our revenue recognition for the current period.

For all product sales shipped directly from suppliers to customers, we take title to the products sold upon shipment, bear credit risk, and bear inventory risk for returned products that are not successfully returned to suppliers; therefore, these revenues are recognized at gross sales amounts.

We also sell certain products for which we act as an agent in accordance with ASC 605-45. Products in this category include the sale of third-party services, warranties, software assurance ("SA") or subscriptions. SA is an "insurance" or "maintenance" product that allows customers to upgrade, at no additional cost, to the latest technology if new applications are introduced during the period that the SA is in effect. These sales do not meet the criteria for gross sales recognition, and thus are recognized on a net basis at the time of sale. Under net sales recognition, the cost paid to the vendor or third-party service provider is recorded as a reduction to sales, resulting in net sales being equal to the gross profit on the transaction.

Some of our larger customers are offered the opportunity by certain of our vendors to purchase software licenses and SA under enterprise agreements ("EAs"). Under EAs, customers are considered to be compliant with applicable license requirements for the ensuing year, regardless of changes to their employee base. Customers are charged an annual true-up fee for changes in the number of users over the year. With most EAs, our vendors will transfer the license and invoice the customer directly, paying us an agency fee or commission on these sales. We record these fees as a component of net sales as earned and there is no corresponding cost of sales amount. In certain instances, we invoice the customer directly under an EA and accounts for the individual items sold based on the nature of the item. Our vendors typically dictate how the EA will be sold to the customer.

When a customer order contains multiple deliverables such as hardware, software and services which are delivered at varying times, we determine whether the delivered items can be considered separate units of accounting as prescribed under ASC 605-25, *Revenue Recognition, Multiple-Element Arrangement*. For arrangements with multiple units of accounting, arrangement consideration is allocated among the units of accounting, where separable, based on their relative selling price. Relative selling price is determined based on vendor-specific objective evidence, if it exists. Otherwise, third-party evidence of selling price is used, when it is available, and in circumstances when neither vendor-specific objective evidence nor third-party evidence of selling price is available, management's best estimate of selling price is used.

Revenue from professional services is either recognized as incurred for services billed at an hourly rate or recognized using the proportional performance method for services provided at a fixed fee. Revenue for data center services, including internet connectivity, web hosting, server co-location and managed services, is recognized over the period the service is performed.

Sales are reported net of estimated returns and allowances, discounts, mail-in rebate redemptions and credit card chargebacks. If the actual sales returns, allowances, discounts, mail-in rebate redemptions or credit card chargebacks are greater than estimated by management, additional expense may be incurred.

Allowance for Doubtful Accounts Receivable. We maintain an allowance for doubtful accounts receivable based upon estimates of future collection. We extend credit to our customers based upon an evaluation of each customer's financial condition and credit history, and generally do not require collateral. We regularly evaluate our customers' financial condition and credit history in determining the adequacy of our allowance for doubtful accounts. We also maintain an allowance for uncollectible vendor receivables, which arise from vendor rebate programs, price protections and other promotions. We determine the sufficiency of the vendor receivable allowance based upon various factors, including payment history. Amounts received from vendors may vary from amounts recorded because of potential non-compliance with certain elements of vendor programs. If the estimated allowance for uncollectible accounts or vendor receivables subsequently proves to be insufficient, additional allowance may be required.

Inventory. Our inventories consist primarily of finished goods, and are stated at lower of cost or market, which is determined by general market conditions, nature, age and type of each product and assumptions about future demand.

Vendor Consideration. We receive vendor consideration from our vendors in the form of cooperative marketing allowances, volume incentive rebates and other programs to support our marketing of their products. Most of our vendor consideration is accrued, when performance required for recognition is completed, as an offset to cost of sales in accordance with ASC 605-50 — *Customer Payments and Incentives*, since such funds are not a reimbursement of specific, incremental, identifiable costs incurred by us in selling the vendors' products. At the end of any given period, unbilled receivables related to our vendor consideration are included in our "Accounts receivable, net of allowances."

Stock-Based Compensation. We account for stock-based compensation in accordance with ASC 718 — *Compensation — Stock Compensation*. ASC 718 addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. We record compensation expense related to stock-based compensation over the award's requisite service period on a straight-line basis.

We estimate the grant date fair value of each stock option grant awarded using the Black-Scholes option pricing model and management assumptions made regarding various factors, including expected volatility of our common stock, expected life of options granted and estimated forfeiture rates, which require use of accounting judgment and financial estimates. We compute the expected term assumption based upon an analysis of historical exercises of stock options by our employees. We compute our expected volatility using historical prices of our common stock for a period equal to the expected term of the options. The risk free interest rate is determined using the implied yield on U.S. Treasury issues with a remaining term within the contractual life of the award. We estimate an annual forfeiture rate based on our historical forfeiture data, which rate is revised annually based upon the most updated forfeiture information at that time. Any material change in the estimates used in calculating the stock-based compensation expense could result in a material impact on our results of operations.

Goodwill and Intangible Assets. Goodwill and indefinite-lived intangible assets are carried at historical cost, subject to write-down, as needed, based upon an impairment analysis that we perform annually, or sooner if an event occurs or circumstances change that would more likely than not result in an impairment loss. We perform our annual impairment test for goodwill and indefinite-lived intangible assets as of October 1 of each year.

Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. Events that may create an impairment include, but are not limited to, significant and sustained decline in our stock price or market capitalization, significant underperformance of operating units and significant changes in market conditions. Changes in estimates of future cash flows or changes in market values could result in a write-down of our goodwill in a future period. If an impairment loss results from any impairment analysis as described above, such loss will be recorded as a pre-tax charge to our operating income. Goodwill is allocated to various reporting units, which are generally an operating segment or one level below the operating segment. Our Commercial operating segment consists of the following reporting units: Abreon and Commercial without Abreon.

Goodwill impairment testing is a two-step process. Step one involves comparing the fair value of our reporting units to their carrying amount. If the fair value of the reporting unit is greater than its carrying amount, there is no impairment and no further testing is required. If the reporting unit's carrying amount is greater than the fair value, the second step must be completed to measure the amount of impairment, if any. Step two calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible assets, excluding goodwill, of the reporting unit from the fair value of the reporting unit as determined in step one. The implied fair value of goodwill determined in this step is compared to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, an impairment loss is recognized equal to the difference.

We performed our annual impairment analysis of goodwill and indefinite-lived intangible assets for possible impairment as of October 1, 2014. Our management, with the assistance of an independent third-party valuation firm, determined the fair values of our reporting units and their underlying assets, and compared them to their respective carrying values. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. The carrying value of goodwill was allocated to our reporting units pursuant to ASC 350. As a result of our annual impairment analysis as of October 1, 2014, we have determined that no impairment of goodwill and other indefinite-lived intangible assets existed.

Fair value was determined by using a weighted combination of a market-based approach and an income approach, as this combination was deemed to be the most indicative of fair value in an orderly transaction between market participants. Under the market-based approach, we utilized information regarding our company and publicly available comparable company and industry information to determine cash flow multiples and revenue multiples that are used to value our reporting units. Under the income approach, we determined fair value based on estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn.

In addition, fair value of our indefinite-lived trademark was determined using the relief from royalty method under the income approach to value. This method applies a market based royalty rate to projected revenues that are associated with the trademarks. Applying the royalty rate to projected revenues resulted in an indication of the pre-tax royalty savings associated with ownership of the trademarks. Projected after-tax royalty savings were discounted to present value at the reporting unit's weighted average cost of capital, and a tax amortization benefit (calculated based on a 15 year life for tax purposes) was added.

In conjunction with our annual assessment of goodwill, our valuation techniques did not indicate any impairment as of October 1, 2014. All reporting units with goodwill passed the first step of the goodwill evaluation, with the fair values of our Abreon and Commercial without Abreon reporting units exceeding their respective carrying values by 70% and 41% and, accordingly, we were not required to perform the second step of the goodwill evaluation. There is $7.2 million and $18.3 million of goodwill residing in our Abreon and Commercial without Abreon reporting units, respectively. In applying the market and income approaches to determining fair value of our reporting units, we rely on a number of significant assumptions and estimates including revenue growth rates and operating margins, discount rates and future market conditions, among others. Our estimates are based upon assumptions we believe to be reasonable, but which by nature are uncertain and unpredictable. Changes in one or more of these significant estimates or assumptions could affect the results of these impairment reviews.

As part of our annual review for impairment, we assessed the total fair values of the reporting units and compared total fair value to our market capitalization at October 1, 2014, including the implied control premium, to determine if the fair values are reasonable compared to external market indicators. When comparing our market capitalization to the discounted cash flow models for each reporting unit summed together, the implied control premium was approximately 27% as of October 1, 2014. We believe several factors are contributing to our low market capitalization, including the lack of trading volume in our stock and the recent significant investments made in various parts of our business and their effects on analyst earnings models.

Given continuing economic uncertainties and related risks to our business, there can be no assurance that our estimates and assumptions made for purposes of our goodwill and indefinite-lived intangible assets impairment testing as of October 1, 2014 will prove to be accurate predictions of the future. We may be required to record additional goodwill impairment charges in future periods, whether in connection with our next annual impairment testing as of October 1, 2015 or prior to that, if any change constitutes a triggering event outside of the quarter from when the annual goodwill and indefinite-lived intangible assets impairment test is performed. It is not possible at this time to determine if any such future impairment charge would result or, if it does, whether such charge would be material.

We amortize other intangible assets with definite lives generally on a straight-line basis over their estimated useful lives.

RESULTS OF OPERATIONS

Consolidated Statements of Operations Data

The following table sets forth, for the periods indicated, our Condensed Consolidated Statements of Operations (in thousands, unaudited) and information derived from our Condensed Consolidated Statements of Operations expressed as a percentage of net sales. There can be no assurance that trends in our net sales, gross profit or operating results will continue in the future.

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net sales	$ 295,959	$ 325,337
Cost of goods sold	256,854	276,632
Gross profit	39,105	48,705
Selling, general and administrative expenses	44,312	42,577
Operating profit (loss)	(5,207)	6,128
Interest expense, net	771	943
Income (loss) from continuing operations before income taxes	(5,978)	5,185
Income tax expense (benefit)	(2,454)	2,151
Income (loss) from continuing operations	(3,524)	3,034
Loss from discontinued operations, net of taxes	(31)	(147)
Net income (loss)	$ (3,555)	$ 2,887
Basic and Diluted Earnings (Loss) Per Common Share		
Basic EPS:		
Income (loss) from continuing operations	$ (0.29)	$ 0.25
Loss from discontinued operations, net of taxes	—	(0.01)
Net income (loss)	$ (0.29)	$ 0.24
Diluted EPS:		
Income (loss) from continuing operations	$ (0.29)	$ 0.24
Loss from discontinued operations, net of taxes	—	(0.01)
Net income (loss)	$ (0.29)	$ 0.23
Weighted average number of common shares outstanding:		
Basic	12,230	11,932
Diluted	12,230	12,715

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net sales	100.0%	100.0%
Cost of goods sold	86.8	85.0
Gross profit	13.2	15.0
Selling, general and administrative expenses	15.0	13.1
Operating profit (loss)	(1.8)	1.9
Interest expense, net	0.2	0.3
Income (loss) before income taxes	(2.0)	1.6
Income tax expense (benefit)	(0.8)	0.7
Income (loss) from continuing operations	(1.2)	0.9
Loss from discontinued operations, net of taxes	0.0	0.0
Net income (loss)	(1.2)%	0.9%

Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

Net Sales

The following table presents our net sales by segment for the periods presented (in thousands):

	Three Months Ended March 31,					
	2015		2014			
	Net Sales	Percentage of Total Net Sales	Net Sales	Percentage of Total Net Sales	Dollar Change	Percent Change
Commercial	$ 236,534	80%	$ 252,121	78%	$ (15,587)	(6)%
Public Sector	36,601	12	36,420	11	181	1
MacMall	22,834	8	36,799	11	(13,965)	(38)
Corporate & Other	(10)	—	(3)	—	(7)	NM(1)
Consolidated	$ 295,959	100%	$ 325,337	100%	$ (29,378)	(9)%

(1) Not meaningful.

Consolidated net sales were $296.0 million in the three months ended March 31, 2015 compared to $325.3 million in the three months ended March 31, 2014, a decrease of $29.3 million, or 9%, 4% of which was due to an increase in sales reported on a net basis. Consolidated sales of services were $25.0 million in the three months ended March 31, 2015 compared to $28.8 million in the three months ended March 31, 2014, a decrease of $3.8 million, or 13%, and represented 8% and 9% of consolidated net sales in each of the three months ended March 31, 2015 and 2014, respectively.

Commercial segment net sales were $236.5 million in the three months ended March 31, 2015 compared to $252.1 million in the three months ended March 31, 2014, a decrease of $15.6 million. Sales of services in the Commercial segment decreased by $4.5 million, or 16%, to $23.4 million in the three months ended March 31, 2015 from $27.9 million in the three months ended March 31, 2014, and represented 10% and 11% of Commercial segment net sales in each of the three months ended March 31, 2015 and 2014, respectively. Commercial net sales were negatively impacted by reductions in sales to several of our enterprise customers in the earlier part of the quarter as well a shift in sales mix towards products reported on a net basis, which represented 5% of the Commercial net sales decline. Sales to enterprise customers improved on a year over year basis in the latter part of the quarter.

Public Sector net sales were $36.6 million in the three months ended March 31, 2015 compared to $36.4 million in the three months ended March 31, 2014, an increase of $0.2 million, or 1%. This increase in Public Sector net sales was due to a $0.6 million, or 3%, increase in sales in our federal government business, partially offset by a $0.4 million, or 3%, decrease in our state and local government and educational institutions business (SLED) sales.

MacMall net sales were $22.8 million in the three months ended March 31, 2015 compared to $36.8 million in the three months ended March 31, 2014, a decrease of $14.0 million, or 38%. The decrease in MacMall net sales was primarily due to the large end-of-life Apple inventory sales made in the first quarter of 2014 that did not repeat in the three months ended March 31, 2015, as well as continued pricing pressure from large online and retail competitors.

Gross Profit and Gross Profit Margin

Consolidated gross profit was $39.1 million in the three months ended March 31, 2015, a decrease of $9.6 million, or 20%, from $48.7 million in the three months ended March 31, 2014. Consolidated gross profit margin was 13.2% in the three months ended March 31, 2015 compared to 15.0% in the three months ended March 31, 2014. The decrease in consolidated gross profit and gross profit margin was primarily due to lower selling margin and a $3.3 million decline in volume incentive based vendor consideration, which impacted our gross margin by 85 basis points. This $3.3 million decline in vendor consideration was primarily associated with decreased hardware sales to our enterprise customers discussed above, which caused us not to earn certain volume incentives from certain of our largest vendors. The decrease in consolidated gross profit margin was partially offset by a 41 basis point increase in gross profit margin related to sales accounted for on a net basis.

Selling, General & Administrative Expenses

Consolidated SG&A expenses increased by $1.7 million, or 4%, to $44.3 million in the three months ended March 31, 2015 from $42.6 million in the three months ended March 31, 2014. Consolidated SG&A expenses as a percentage of net sales increased to 15% in the three months ended March 31, 2015 from 13.1% in the three months ended March 31, 2014. The increase in consolidated SG&A expenses in the three months ended March 31, 2015 was primarily due to an increase in personnel costs of $1.7 million, which was related to an increase in sales headcount including software sales, advanced solutions and our new Austin office, and a $0.8 million increase in severance costs related to our cost reduction initiative.

Operating Profit (Loss)

The following table presents our operating profit (loss) and operating profit margin, by segment, for the periods presented (in thousands):

	Three Months Ended March 31,								
	2015		2014				Change in Operating Profit (Loss)		Change in Operating Profit Margin
		Operating Profit (Loss)	Operating Profit Margin(1)		Operating Profit (Loss)	Operating Profit Margin(1)		$	%	%
Commercial	$	7,819	3.3%	$	17,658	7.0%	$	(9,839)	(56)%	(3.7)%
Public Sector		675	1.8		574	1.6		101	18	0.2
MacMall		(70)	(0.3)		821	2.2		(891)	(109)	(2.5)
Corporate & Other		(13,631)	(4.6)(1)		(12,925)	(4.0)(1)		(706)	5	(0.6)(1)
Consolidated	$	(5,207)	(1.8)%	$	6,128	1.9%	$	(11,335)	185%	(3.7)%

(1) Operating profit margin for Corporate & Other is computed based on consolidated net sales. Operating profit margin for each of the other segments is computed based on the respective segment's net sales.

Consolidated operating loss was $5.2 million in the three months ended March 31, 2015 compared to operating profit of $6.1 million in the three months ended March 31, 2014, a decrease of $11.3 million, or 185%.

Commercial operating profit was $7.8 million in the three months ended March 31, 2015 compared to $17.7 million in the three months ended March 31, 2014, a decrease of $9.9 million, or 56%. The decrease in Commercial operating profit was primarily due to a $7.8 million decrease in Commercial gross profit, a $1.4 million increase in personnel costs and a $0.3 million increase in facility related costs.

Public Sector operating profit was $0.7 million in the three months ended March 31, 2015 compared to $0.6 million in the three months ended March 31, 2014, an increase of $0.1 million, or 18%. The increase in Public Sector operating profit was primarily due to a decrease of $0.3 million in variable fulfillment expenses, partially offset by the $0.2 million decrease in Public Sector gross profit.

MacMall operating loss was $0.1 million in the three months ended March 31, 2015 compared to an operating profit of $0.8 million in the three months ended March 31, 2014, a decrease of $0.9 million or 109%, primarily due to a $1.6 million decrease in MacMall gross profit, partially offset by the decrease of $0.3 million in legal settlement costs and a $0.3 million decrease in credit card related expenses.

Corporate & Other operating expenses includes corporate related expenses such as legal, accounting, information technology, product management and certain professional and pre-sales support services and other administrative costs that are not otherwise included in our reportable operating segments. Corporate & Other operating expenses were $13.6 million in the three months ended March 31, 2015 compared to $12.9 million in the three months ended March 31, 2014, an increase of $0.7 million, or 5%, primarily due to a $0.6 million increase in personnel costs, which included a $0.5 million increase in severance costs related to our cost reduction initiative.

Net Interest Expense

Total net interest expense for the three months ended March 31, 2015 was $0.8 million compared with $0.9 million in the same period of 2014.

Income Tax Expense

We recorded an income tax benefit of $2.5 million in the three months ended March 31, 2015 compared to income tax expense of $2.2 million in the three months ended March 31, 2014. Our effective tax rates for the three months ended March 31, 2015 and 2014 were 41.1% and 41.5%.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital. Our primary capital needs have and we expect will continue to be the funding of our existing working capital requirements, capital expenditures for which we expect to include substantial investments in our new ERP system, eCommerce platform and other upgrades of our current IT infrastructure over the next several years, which are discussed further below in “Other Planned Capital Projects,” possible sales growth, possible acquisitions and new business ventures, and possible repurchases of our common stock under a discretionary repurchase program, which is also further discussed below. Our primary sources of financing have historically come from borrowings from financial institutions, public and private issuances of our common stock and cash flows from operations. Our continuing efforts to drive revenue growth from commercial customers could result in an increase in our accounts receivable as these customers are generally provided longer payment terms than consumers. We historically have increased our inventory levels from time to time to take advantage of strategic manufacturer promotions. We believe that our current working capital, including our existing cash balance, together with our expected future cash flows from operations and available borrowing capacity under our line of credit, will be adequate to support our current operating plans for at least the next 12 months. However, the current uncertainty in the macroeconomic environment may limit our cash resources that could otherwise be available to fund capital investments, future strategic opportunities or growth beyond our current operating plans. We are also unable to quantify any expected future synergies or costs related to our ongoing rebranding and restructuring efforts.

There has been ongoing uncertainty in the global economic environment, which could cause disruptions in the capital and credit markets. While our revolving credit facility does not mature until September 2018, we believe problems in these areas could have a negative impact on our ability to obtain future financing if we need additional funds, such as for acquisitions or expansion, to fund a significant downturn in our sales or an increase in our operating expenses, or to take advantage of opportunities or favorable market conditions in the future. We may seek additional financing from public or private debt or equity issuances; however, there can be no assurance that such financing will be available at acceptable terms, if at all. Also, there can be no assurance that the cost or availability of future borrowings, if any, under our credit facility or in the debt markets will not be impacted by disruptions in the capital and credit markets.

We had cash and cash equivalents of $7.3 million at March 31, 2015 and $8.9 million at December 31, 2014. Our working capital was $53.2 million as of March 31, 2015 and $63.4 million as of December 31, 2014.

In September 2012, our Board of Directors approved a $10 million increase to our discretionary stock repurchase program, which was originally adopted in October 2008 with an initial authorized maximum of $10 million. On April 28, 2015, our Board of Directors approved a further $10 million increase to the stock repurchase program. Under the program, the shares may be repurchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending on market conditions. We expect that the repurchase of our common stock under the program will be financed with existing working capital and amounts available under our existing credit facility. The repurchased shares are held as treasury stock. No limit was placed on the duration of the repurchase program. There is no guarantee as to the exact number of shares that we will repurchase. Subject to applicable securities laws, repurchases may be made at such times and in such amounts as our management deems appropriate. The program can also be discontinued at any time management feels additional purchases are not warranted.

From the inception of the program in October 2008 through March 31, 2015, we have repurchased an aggregate total of 3,148,900 shares of our common stock for a total cost of $17.2 million. At March 31, 2015, we had $2.8 million available in stock repurchases under the program. Following the $10 million increase to the program approved by our Board of Directors on April 28, 2015, we had $11.3 million available in stock repurchases under the program, subject to any limitations that may apply from time to time under our existing credit facility.

We maintain a Canadian call center serving the U.S. market, which receives the benefit of labor credits under the Investment Quebec Refundable Tax Credit for Major Employment Generating Projects (GPCE) program. In addition to other eligibility requirements under the program, which extends through fiscal year 2016, we are required to maintain a minimum of 317 eligible employees employed by our subsidiary PCM Sales Canada in the province of Quebec at all times to remain eligible to apply annually for these labor credits. We are eligible to make annual labor credit claims for eligible employees equal to 20% of eligible salaries, but not to exceed $12,000 (Canadian) per eligible employee per year, continuing through fiscal year 2016. As of March 31, 2015, we had a total accrued receivable of $5.8 million related to 2013, 2014 and the three months ended March 31, 2015. We filed our 2013 claim in late 2014, and we expect to file our 2014 claim in late 2015. We expect to receive full payment under our remaining accrued labor credits receivable.

Cash Flows from Operating Activities. Net cash provided by operating activities in the three months ended March 31, 2015 was $8.5 million compared to $17.9 million in the three months ended March 31, 2014.

The $8.5 million of net cash provided by operating activities in the three months ended March 31, 2015 was primarily due to an $11.6 million decrease in accounts receivable and a $7.8 million decrease in inventory, partially offset by a $6.2 million decrease in deferred revenues and a $5.6 million decrease in accounts payable.

The $17.9 million of net cash provided by operating activities in the three months ended March 31, 2014 was primarily due to a $45.3 million decrease in inventories due to the sell through of a majority of the inventory purchased for specific customer contracts and large strategic purchases made near the end of the year and a $18.7 million decrease in accounts receivable, partially offset by a $52.1 million decrease in accounts payable.

Cash Flows from Investing Activities. Net cash used in investing activities was $13.9 million in the three months ended March 31, 2015 compared to $8.1 million in the three months ended March 31, 2014.

The $13.9 million of net cash used in investing activities in each of the three months ended March 31, 2014 was primarily related to our purchase of real property in Irvine, California for $5.8 million and real property in Lewis Center, Ohio for $6.0 million, as well as expenditures relating to investments in our IT infrastructure and the creation of enhanced electronic tools for our account executives and sales support staff.

The $8.1 million of net cash used in investing activities in each of the three months ended March 31, 2014 was primarily due to capital expenditures relating to investments in our IT infrastructure and the creation of enhanced electronic tools for our account executives and sales support staff and expenditures relating to leasehold improvements and other build-out costs related to our new Chicago office.

Cash Flows from Financing Activities. Net cash provided by financing activities during the three months ended March 31, 2015 was $4.2 million compared to net cash used in financing activities of $12.3 million during the three months ended March 31, 2014.

The $4.2 million of net cash provided by financing activities in the three months ended March 31, 2015 was primarily related $9.5 million of borrowings under notes payable, partially offset by $3.6 million of net payments under our line of credit.

The $12.3 million of net cash used in financing activities in the three months ended March 31, 2014 was primarily related to $20.2 million of net payments made on the outstanding balance of our line of credit, partially offset by $4.2 million of borrowings under notes payable and $3.2 million of cash proceeds related to stock issued for employee stock option exercises.

Line of Credit and Notes Payable. We maintain an asset-based revolving credit facility that provides for, among other things, (i) a credit limit of $200 million; (ii) LIBOR interest rate options that we can enter into with no limit on the maximum outstanding principal balance which may be subject to a LIBOR interest rate option; and (iii) a maturity date of September 30, 2017. The credit facility, which functions as a working capital line of credit with a borrowing base of inventory and accounts receivable, including certain credit card receivables, and a portion of the value of certain real estate, also includes a monthly unused line fee of 0.25% per year on the amount, if any, by which the Maximum Credit, as defined in the agreement, then in effect, exceeds the average daily principal balance of the outstanding borrowings during the immediately preceding month. On April 7, 2015, we entered into an amendment of the credit facility that provides for, among other things, an increase in the credit limit to $250 million, a maturity date of September 30, 2018, an accordion feature to increase our Maximum Credit by $25 million at our option and satisfaction of certain conditions, and interest at LIBOR plus a margin, depending on average excess availability under the revolving facility, ranging from 1.50% to 1.75%.

The credit facility is collateralized by substantially all of our assets. In addition to the security interest required by the credit facility, certain of our vendors have security interests in some of our assets related to their products. The credit facility has as its single financial covenant a minimum fixed charge coverage ratio (FCCR) requirement in the event an FCCR triggering event has occurred. An FCCR triggering event is comprised of maintaining certain specified daily and average excess availability thresholds. In the event the FCCR covenant applies, the fixed charge coverage ratio is 1.0 to 1.0 calculated on a trailing four-quarter basis as of the end of the last quarter immediately preceding such FCCR triggering event date. At March 31, 2015, we were in compliance with our financial covenant under the credit facility.

Loan availability under the line of credit fluctuates daily and is affected by many factors, including eligible assets on-hand, opportunistic purchases of inventory and availability and our utilization of early-pay discounts. At March 31, 2015, we had $49.2 million of net working capital advances outstanding under the line of credit. At March 31, 2015, we had $61.0 million available to borrow for working capital advances under the line of credit.

In connection with, and as part of, our revolving credit facility, we maintain a term note with a principal balance of $4.34 million, payable in equal monthly principal installments of approximately $52,000, amortized over 84 months, beginning on April 1, 2013, plus interest at the prime rate with a LIBOR option. In the event of a default, termination or non-renewal of the revolving credit facility upon the maturity thereof, the term loan is payable in its entirety upon demand by the lenders. At March 31, 2015, we had approximately $3.1 million outstanding under the term note.

In May 2013, we completed the purchase of real property adjacent to the building we own in Santa Monica, California for $3.0 million and financed $1.7 million of the purchase price with a sub-line under our revolving credit facility. The loan bears the same interest terms as our revolving credit facility and interest is payable monthly. The principal amount is amortized monthly over an 84 month period similar to our term note, with monthly principal amortization of approximately $24,000 that began in July 2014. At March 31, 2015, we had approximately $1.5 million outstanding under this sub-line note.

In March 2015, we completed the purchase of real property in Irvine, California for approximately $5.8 million and financed $4.9 million with a long-term note. The loan agreement provides for a seven year term and a 25 year straight-line, monthly principal repayment amortization period that begins on May 1, 2015 with a balloon payment at maturity in April 2022. This note bears interest at a variable rate of the greater of 2% or LIBOR plus 2.15% and payable monthly. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility. At March 31, 2015, we had approximately $4.9 million outstanding under this note.

In January 2015, we completed the purchase of certain real property in Lewis Center, Ohio for approximately $6.6 million and financed $4.575 million with a long-term note. The $4.575 million term note provides for a seven year term and a 25 year straight-line, monthly principal repayment amortization period that began in February 2015 with a balloon payment at maturity in January 2022. This note bears interest at a variable rate of LIBOR plus 2.25% and payable monthly. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility. At March 31, 2015, we had approximately $4.5 million outstanding under this note.

Throughout 2014, we entered into three financing arrangements with a bank to finance the costs of equipment, software and professional services related to our ERP upgrade. The total amount financed was $5.6 million, with a quarterly repayment schedule maturing in March 2017. At March 31, 2015, we had $4.0 million outstanding under these financing arrangements.

In December 2012, we completed the purchase of 7.9 acres of land for approximately $1.1 million and have incurred additional costs of $12.2 million through December 31, 2014 towards the construction of a new cloud data center that we opened in June 2014. In July 2013, we entered into a loan agreement for up to $7.725 million to finance the build out of the new data center. The loan agreement provides for a five year term and a 25 year straight-line, monthly principal repayment amortization period with a balloon payment at maturity in January 2020. Interest during the amortization period is variable, indexed to LIBOR plus 2.25%. At March 31, 2015, we had $7.6 million outstanding under this loan agreement. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility.

In June 2011, we entered into a credit agreement to finance the acquisition and improvement of the real property we purchased in March 2011 in El Segundo, California. The credit agreement provides for a five year term and a 25 year straight-line, monthly principal repayment amortization period with a balloon payment at maturity in September 2016. Interest is variable, indexed to Prime plus 0.375% or LIBOR plus 2.375% at our option, and payable monthly. At March 31, 2015, we had $8.8 million outstanding under this credit agreement. The loan is secured by the real property and contains financial covenants substantially similar to those of our existing asset-based credit facility.

At March 31, 2015, our effective weighted average annual interest rate on outstanding amounts under the credit facility, term note and variable interest rate notes payable was 2.25%.

The carrying amounts of our line of credit borrowings and notes payable approximate their fair value based upon the current rates offered to us for obligations of similar terms and remaining maturities.

As part of our growth strategy, we may, in the future, make acquisitions in the same or complementary lines of business, and pursue other business ventures. Any launch of a new business venture or any acquisition and the ensuing integration of the acquired operations would place additional demands on our management, and our operating and financial resources.

Other Planned Capital Projects

ERP and Web Infrastructure Upgrades

We are currently upgrading many of our IT systems. We have purchased licenses for Microsoft Dynamics AX and other related Independent Software Vendor (ISV) modules (Tax, EDI, Freight, Pricing and Rebates) to provide a complete and robust solution. We are currently working on the implementation of the ERP modules and the upgrade of the ERP systems, including additional enhancements and features. We believe the implementation and upgrade should help us to gain further efficiencies across our organization. While it is difficult to estimate costs and time frames for completion, based on the complexity of the systems design, customization and implementation and our current estimates, which are subject to change, we currently expect to incur a cost of approximately $25 million for the major phases of the ERP upgrade. We have completed all major phases of the design, configuration and customization. We expect to complete the implementation and migration of certain of the legacy systems to the new ERP solution by the end of 2015. To date, we have incurred approximately $23.4 million of such costs. In addition to the above expenditures, we expect to make periodic upgrades to our IT systems on an ongoing basis. As part of the upgrades to our IT systems, we recently upgraded our eCommerce systems and launched a new generation of our public website and extranet at pcm.com, macmall.com, and pcmg.com, which are included in the amounts above. We also implemented various Cisco solutions to upgrade our communications infrastructure to provide a unified platform for our entire company and to provide a robust and efficient contact center.

In May 2015, after consideration of the tools acquired in the En Pointe acquisition, we determined that we would write-off approximately $3.2 million of internally developed software work in process related to our upcoming CRM system, which is one component of our overall ERP system conversion, in favor of a similar CRM system already configured and in production at En Pointe. We will record this charge in the three months ending June 30, 2015 in our consolidated financial statements.

Inflation

Inflation has not had a material impact on our operating results; however, there can be no assurance that inflation will not have a material impact on our business in the future.

Dividend Policy

We have never paid cash dividends on our capital stock and our credit facility prohibits us from paying any cash dividends on our capital stock. Therefore, we do not currently anticipate paying dividends; we intend to retain any earnings to finance the growth and development of our business.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements, if any, are described in our Annual Report on Form 10-K for the year ended December 31, 2014. As of March 31, 2015, there has been no material change in any off-balance sheet arrangements since December 31, 2014.

Contingencies

For a discussion of contingencies, see Part I, Item 1, Note 10 of the Notes to the Condensed Consolidated Financial Statements of this report, which is incorporated herein by reference.

RELATED-PARTY TRANSACTIONS

There were no material related-party transactions during the three months ended March 31, 2015 other than compensation arrangements in the ordinary course of business.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such statements include statements regarding our expectations, hopes or intentions regarding the future, including but not limited to, statements regarding our strategies, competition, markets, vendors, expenses, new services and technologies, growth prospects, financing, revenue, margins, operations, litigation and compliance with applicable laws. In particular, the following types of statements are forward-looking:

- our ability to execute and benefit from our business strategies; including but not limited to, business strategies related to and strategic investments in our IT systems, investments in our planned new data center, our reorganization strategy, our brand strategy and initiatives to unify our commercial brands, our efforts to expand our sales of value-added services and solutions offerings, and real estate acquisitions and dispositions;
- our use of management information systems and their need for future support or upgrade;
- our expectations regarding the timing and costs of our ongoing or planned IT systems and communications infrastructure upgrades;
- our expectations regarding the accounting treatment of our recent acquisition of En Pointe
- our expectations regarding key personnel and our ability to hire new and retain such individuals;
- our competitive advantages and growth opportunities;
- our ability to increase revenues and profitability;
- our expectation regarding general economic uncertainties and the related potential negative impact on our profit and profit margins, as well as our financial condition, liquidity and future cash flows;
- our expectations to continue our efforts to increase the productivity of our sales force and reduce costs;
- our plans to invest in and enhance programs and training to align us with our key vendor partners;
- our ability to generate vendor supported marketing;
- our expectations regarding our future capital needs and the availability of working capital, liquidity, cash flows from operations and borrowings under our credit facility and other long-term debt;
- the expected results or profitability of any of our individual business units in future periods;
- the impact on accounts receivable from our efforts to focus on sales in our Commercial and Public Sector segments;
- our ability to penetrate the public sector market;
- our beliefs relating to the benefits to be received from our Philippines office and Canadian call center, including tax credits and reduction in labor costs over time;
- our belief regarding our exposure to currency exchange and interest rate risks;
- our ability to attract new customers and stimulate additional purchases from existing customers, including our expectations regarding future advertising levels and the effect on consumer sales;
- our ability to leverage our market position and purchasing power and offer a wide selection of products at competitive prices;
- our expectations regarding the ability of our marketing programs or campaigns to stimulate additional purchases or to maximize product sales;
- our ability to limit risk related to price reductions;
- our belief regarding the effect of seasonal trends and general economic conditions on our business and results of operations across all of our segments;
- our expectations regarding competition and the industry trend toward consolidation;
- the anticipated impact of reductions in sales to certain large enterprise customers;
- our expectations regarding the impact of investments we are making in the area of sales headcount, software and advanced technology solutions;
- our expectations regarding the payment of dividends and our intention to retain any earnings to finance the growth and development of our business;
- our compliance with laws and regulations;
- our beliefs regarding the applicability of tax statutes, regulations and governmental tax regulatory positions;
- our expectations regarding the impact of accounting pronouncements;
- our expectations regarding any future repurchases of our common stock, including the financing of any such repurchases;
- our belief that backlog is not useful for predicting our future sales;
- our belief that our existing distribution facilities are adequate for our current and foreseeable future needs; and
- the likelihood that new laws and regulations will be adopted with respect to the Internet, privacy and data security that may impose additional restrictions or burdens on our business.

Forward-looking statements involve certain risks and uncertainties, and actual results may differ materially from those discussed in any such statement. Factors that could cause actual results to differ materially from such forward-looking statements include the risks described under the heading “Risk Factors” in Part II, Item 1A of this report. All forward-looking statements in this document are made as of the date hereof, based on information available to us as of the date hereof, and, except as otherwise required by law, we assume no obligation to update any forward-looking statement or other information contained herein to reflect new information, events or circumstances after the date hereof.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and other current liabilities. At March 31, 2015, the carrying values of our financial instruments approximated their fair values based on current market prices and rates.

We have not entered into derivative financial instruments as of March 31, 2015. However, from time-to-time, we contemplate and may enter into derivative financial instruments related to interest rate, foreign currency, and other market risks.

Interest Rate Risk

We have exposure to the risks of fluctuating interest rates on our line of credit and notes payable. The variable interest rates on our line of credit and notes payable are tied to the prime rate or the LIBOR, at our discretion. At March 31, 2015, we had $49.2 million outstanding under our line of credit and $30.5 million outstanding under our notes payable. As of March 31, 2015, the hypothetical impact of a one percentage point increase in interest rate related to the outstanding borrowings under our line of credit and note payable would be to increase our annual interest expense by approximately $0.8 million.

Foreign Currency Exchange Risk

We have operation centers in Canada and the Philippines that provide back-office administrative support and customer service support. In each of these countries, transactions are primarily conducted in the respective local currencies. In addition, our two foreign subsidiaries that operate the operation centers have intercompany accounts with our U.S. subsidiaries that eliminate upon consolidation. However, transactions resulting in such accounts expose us to foreign currency rate fluctuations. We record gains and losses resulting from exchange rate fluctuations on our short-term intercompany accounts in “Selling, general and administrative expenses” in our Condensed Consolidated Statements of Operations and translation gains and losses resulting from exchange rate fluctuations on local currency based assets and liabilities in “Accumulated other comprehensive income,” a separate component of stockholders’ equity on our Condensed Consolidated Balance Sheets. As such, we have foreign currency translation exposure for changes in exchange rates for these currencies and any significant changes in exchange rates between foreign currencies in which we transact business and the U.S. dollar may adversely affect our Condensed Consolidated Statements of Operations and Condensed Consolidated Balance Sheets. As of March 31, 2015, we did not have material foreign currency or overall currency exposure.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2015.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the first quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings, other than ordinary routine litigation incidental to the business. From time to time, we receive claims of and become subject to consumer protection, employment, intellectual property and other litigation related to the conduct of our business. Any such litigation could be costly and time consuming and could divert our management and key personnel from our business operations. In connection with any such litigation, we may be subject to significant damages or equitable remedies relating to the operation of our business. Any such litigation may materially harm our business, results of operations and financial condition.

ITEM 1A. RISK FACTORS

This report and other documents we file with the Securities and Exchange Commission contain forward looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our business, our beliefs and our management's assumptions. These statements are not guarantees of future performance and involve certain risks, uncertainties, and assumptions that are difficult to predict. You should carefully consider the risks and uncertainties facing our business which are set forth below. The risks described below are not the only ones facing us. Our business is also subject to risks that affect many other companies, such as employment relations, general economic conditions, geopolitical events and international operations. Further, additional risks not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity and stock price materially and adversely.

Our success is in part dependent on the accuracy and proper utilization of our management information and communications systems.

We have committed significant resources to the development of sophisticated systems that are used to manage our business. Our systems support phone and web-based sales, marketing, purchasing, accounting, customer service, warehousing and distribution, and facilitate the preparation of daily operating control reports which are designed to provide concise and timely information regarding key aspects of our business. The systems allow us to, among other things, monitor sales trends, make informed purchasing decisions, and provide product availability and order status information. In addition to the main computer systems, we have systems of networked computers across all of our locations. We also use our management information systems to manage our inventory. We believe that in order to remain competitive, we will need to upgrade our management information and communications systems on a regular basis, which could require significant capital expenditures.

Our success is dependent on the accuracy and proper utilization of our management information systems and our communications systems. In addition to the costs associated with system upgrades, the transition to and implementation of new or upgraded solutions can result in system delays or failures. We currently operate one of our management information systems using an HP3000 Enterprise System, which was supported by HP until December 2010. We currently contract with a third party service provider specializing in maintenance and support of this system to provide us adequate support until we finalize the upgrade of this system to Microsoft Dynamics AX. Any interruption, corruption, degradation or failure of our management information systems or communications systems could adversely impact our ability to receive and process customer orders on a timely basis.

In addition to our ERP and eCommerce systems upgrades that are currently being implemented, we also regularly upgrade our systems in an effort to better meet the information requirements of our users, and believe that to remain competitive, it will be necessary for us to upgrade these systems on a regular basis in the future. The implementation of any upgrades is complex, in part, because of the wide range of processes and the multiple systems that may need to be integrated across our business.

In connection with any system upgrades, we generally create a project plan to provide a reasonable allocation of resources to the project; however, execution of any such plan, or a divergence from it, may result in cost overruns, project delays or business interruptions. Furthermore, any divergence from any such project plan could affect the timing or the extent of benefits we may expect to achieve from the system or any process efficiencies. Any such project delays, business interruptions or loss of expected benefits could have a material adverse effect on our business, financial condition or results of operations.

Any disruptions, delays or deficiencies in the design, operation or implementation of our various systems, or in the performance of our systems, particularly any disruptions, delays or deficiencies that impact our operations, could adversely affect our ability to effectively run and manage our business, including our ability to receive, process, ship and bill for orders in a timely manner or our ability to properly manage our inventory or accurately present our inventory availability or pricing. We do not currently have a redundant or back-up telephone system, nor do we have complete redundancy for our management information systems. Any interruption, corruption, deficiency or delay in our management information systems, including those caused by natural disasters, could have a material adverse effect on our business, financial condition or results of operations.

Changes and uncertainties in the economic climate could negatively affect the rate of information technology spending by our customers, which would likely have an impact on our business.

As a result of the ongoing economic uncertainties, the direction and relative strength of the U.S. economy remains a considerable risk to our business, operating results and financial condition. This economic uncertainty could also increase the risk of uncollectible accounts receivable from our customers. During the recent economic downturns in the U.S. and elsewhere, customers generally reduced, often substantially, their rate of information technology spending. Additionally, economic conditions and the level of consumer confidence has limited technology spending. Future changes and uncertainties in the economic climate in the U.S. and elsewhere could have a similar negative impact on the rate of information technology spending of our current and potential customers, which would likely have a negative impact on our business, operating results and financial condition, and could significantly hinder our growth and prevent us from achieving our financial performance goals.

Our earnings and growth rate could be adversely affected by negative changes in economic or **geopolitical conditions**.

We are subject to risks arising from adverse changes in domestic and global economic conditions and unstable geopolitical conditions. If economic growth in the United States and other countries' economies slows or declines, consumer and business spending rates could be significantly reduced. This could result in reductions in sales of our products, longer sales and payment cycles, slower adoption of new technologies and increased price competition, any of which could materially and adversely affect our business, results of operations and financial condition. Weak general economic conditions or uncertainties in geopolitical conditions could adversely impact our revenue, expenses and growth rate. In addition, our revenue, gross margins and earnings could deteriorate in the future as a result of unfavorable economic or geopolitical conditions.

Our revenue is dependent on sales of products from a small number of key manufacturers, and a decline in sales of products from these manufacturers could materially harm our business.

Our revenue is dependent on sales of products from a small number of key manufacturers and software publishers, including Apple, Cisco, Dell, HP, Lenovo and Microsoft. For example, products manufactured by HP represented approximately 15% and 22% of our net sales in the three months ended March 31, 2015 and 2014, respectively, and products manufactured by Apple represented approximately 13% and 16% of our net sales in the three months ended March 31, 2015 and 2014, respectively. A decline in sales of any of our key manufacturers' products, whether due to decreases in supply of or demand for their products, termination of any of our agreements with them, or otherwise, could have a material adverse impact on our sales and operating results.

Certain of our vendors provide us with incentives and other assistance that reduce our operating costs, and any decline in these incentives and other assistance could materially harm our operating results.

Certain of our vendors, including Apple, Cisco, Dell, HP, Ingram Micro, Lenovo, Microsoft and Tech Data, provide us with trade credit or substantial incentives in the form of discounts, credits and cooperative advertising. We have agreements with many of our vendors under which they provide us, or they have otherwise consistently provided us, with market development funds to finance portions of our catalog publication and distribution costs based upon the amount of coverage we give to their respective products in our catalogs or other advertising mediums. Any termination or interruption of our relationships with one or more of these vendors, particularly Apple or HP, or modification of the terms or discontinuance of our agreements and market development fund programs and arrangements with these vendors, could adversely affect our operating income and cash flow. For example, the amount of vendor consideration we receive from a particular vendor may be impacted by a number of events outside of our control, including acquisitions, divestitures, management changes or economic pressures affecting such vendor, any of which could materially affect the amount of vendor consideration we receive from such vendor.

We do not have long-term supply agreements or guaranteed price or delivery arrangements with our vendors.

In most cases we have no guaranteed price or delivery arrangements with our vendors. As a result, we have experienced and may in the future experience inventory shortages on certain products. Furthermore, our industry occasionally experiences significant product supply shortages and customer order backlogs due to the inability of certain manufacturers to supply certain products as needed. We cannot assure you that suppliers will maintain an adequate supply of products to fulfill our orders on a timely basis, or at all, or that we will be able to obtain particular products on favorable terms or at all. Additionally, we cannot assure you that product lines currently offered by suppliers will continue to be available to us. A decline in the supply or continued availability of the products of our vendors, or a significant increase in the price of those products, could reduce our sales and negatively affect our operating results.

Substantially all of our agreements with vendors are terminable within 30 days.

Substantially all of our agreements with vendors are terminable upon 30 days' notice or less. For example, while we are an authorized dealer for HP and Apple products, they can terminate our dealer agreements upon 30 days' notice. Vendors that currently sell their products through us could decide to sell, or increase their sales of, their products directly or through other resellers or channels. Any termination, interruption or adverse modification of our relationship with a key vendor or a significant number of other vendors would likely adversely affect our operating income, cash flow and future prospects.

Our success is dependent in part upon the ability of our vendors to develop and market products that meet changes in marketplace demand, as well as our ability to sell popular products from new vendors.

The products we sell are generally subject to rapid technological change and related changes in marketplace demand. Our success is dependent in part upon the ability of our vendors to develop and market products that meet these changes in marketplace demand. Our success is also dependent on our ability to develop relationships with and sell products from new vendors that address these changes in marketplace demand. To the extent products that address changes in marketplace demand are not available to us, or are not available to us in sufficient quantities or on acceptable terms, we could encounter increased price and other competition, which would likely adversely affect our business, financial condition and results of operations.

We may not be able to maintain existing vendor relationships or preferred provider status with our vendors, which may affect our ability to offer a broad selection of products at competitive prices and negatively impact our results of operations.

We purchase products for resale both directly from manufacturers and indirectly through distributors and other sources, all of whom we consider our vendors. We also maintain certain qualifications and preferred provider status with several of our vendors, which provides us with preferred pricing, vendor training and support, preferred access to products, and other significant benefits. In many cases, vendors require us to meet certain minimum standards in order to retain these qualifications and preferred provider status. While these vendor relationships are an important element of our business, we do not have long-term agreements with any of these vendors. Any agreements with vendors governing our purchase of products are generally terminable by either party upon 30 days' notice or less. If we do not maintain our existing relationships or preferred provider certifications or authorizations, or if we fail to build new relationships with vendors on acceptable terms, including favorable product pricing, vendor consideration or reseller qualifications, we may not be able to offer a broad selection of products or continue to offer products from these vendors at competitive prices or at all. From time to time, vendors may be acquired by other companies, terminate our right to sell some or all of their products, modify or terminate our preferred provider or qualification status, change the applicable terms and conditions of sale or reduce or discontinue the incentives or vendor consideration that they offer us. For example, one of our major vendors adopted heightened sales growth and dedicated sales personnel standards for its preferred provider designation. Our failure to meet these heightened standards could cause us to lose preferred provider status with the vendor. Any termination of our preferred provider status with any of our major vendors, or our failure to build new vendor relationships, could have a negative impact on our operating results. Additionally, some products are subject to manufacturer or distributor allocation, which limits the number of units of those products that are available to us and may adversely affect our operating results.

Narrow gross margins magnify the impact of variations in operating costs and of adverse or unforeseen events on operating results.

We are subject to intense price competition with respect to the products, services and solutions we sell. As a result, our gross margins have historically been narrow, and we expect them to continue to be narrow. We have recently experienced increasing price competition, which has a negative impact on our gross margins. Narrow gross margins magnify the impact of variations in operating costs and of adverse or unforeseen events on operating results. Future increases in costs such as the cost of merchandise, wage levels, shipping rates, freight costs and fuel costs may negatively impact our margins and profitability. We are not always able to raise the sales price to offset cost increases. If we are unable to maintain our gross margins in the future, it could have a material adverse effect on our business, financial condition or results of operations. In addition, because price is an important competitive factor in our industry, we cannot assure you that we will not be subject to increased price competition in the future. If we become subject to increased price competition in the future, we cannot assure you that we will not lose market share, that we will not be forced to reduce our prices and further reduce our gross margins, or that we will be able to compete effectively.

We experience variability in our net sales and net income on a quarterly basis as a result of many factors.

We experience variability in our net sales and net income on a quarterly basis as a result of many factors. These factors include:

- the relative mix of products, services and solutions sold during the period;
- the general economic environment and competitive conditions, such as pricing;
- the timing of procurement cycles by our business, government and educational institution customers;
- seasonality in consumer spending;
- variability in vendor programs;
- the introduction of new products, services or solutions by us or our competitors;
- changes in prices from our suppliers;
- promotions;
- the loss or consolidation of significant suppliers or customers;
- our ability to control costs;
- the timing of our capital expenditures;
- the condition of our industry in general;
- seasonal shifts in demand for products, services or solutions we offer;
- consumer acceptance of new purchasing models;
- industry announcements and market acceptance of new offerings or upgrades;
- deferral of customer orders in anticipation of new offerings;
- product or solution enhancements or operating system changes;
- any inability on our part to obtain adequate quantities of products, services or solutions;
- delays in the release by suppliers of new products or solutions and inventory adjustments;
- our expenditures on new business ventures and acquisitions;
- performance of acquired businesses;
- adverse weather conditions that affect supply or customer response;
- distribution or shipping to our customers; and
- geopolitical events.

Our planned operating expenditures each quarter are based on sales forecasts for the quarter. If our sales do not meet expectations in any given quarter, our operating results for the quarter may be materially adversely affected. Our narrow gross margins may magnify the impact of these factors on our operating results. We believe that period-to-period comparisons of our operating results are not necessarily a good indication of our future performance. In addition, our results in any quarterly period are not necessarily indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below the expectations of public market analysts or investors and as a result the market price of our common stock could be materially adversely affected.

Our focus on commercial and public sector sales presents numerous risks and challenges, and may not improve our profitability or result in expanded market share.

An important element of our business strategy is to focus on commercial and public sector sales and related market share growth. In competing in these markets, we face numerous risks and challenges, including competition from a wider range of sources and the need to continually develop and enhance strategic relationships. We cannot assure you that our focus on commercial and public sector sales will result in expanded market share or increased profitability. Furthermore, revenue from our public sector business is derived from sales to federal, state and local governmental departments and agencies, as well as to educational institutions, through various contracts and open market sales. Government contracting is a highly regulated area, and noncompliance with government procurement regulations or contract provisions could result in civil, criminal, and administrative liability, including substantial monetary fines or damages, termination of government contracts, and suspension, debarment or ineligibility from doing business with the government. The effect of any of these possible actions by any governmental department or agency with which we contract could adversely affect our business or results of operations. Moreover, contracting with governmental departments and agencies involves additional risks, such as longer payment terms, limited recourse against the government agency in the event of a business dispute, requirements that we provide representations, warranties and indemnities related to the products, services and solutions we sell, the potential lack of a limitation of our liability for damages from our product sales or our provision of services to the department or agency, and the potential for changes in statutory or regulatory provisions that negatively affect the profitability of such contracts. Similarly, many large commercial businesses also require us to regularly enter into complex contractual relationships involving various risks and uncertainties such as requirements that we provide representations, warranties and indemnities to our customers and potential lack of limitation of our liability for damages under some of such contracts.

Our strategy and investments in increasing the productivity of our account executives, and our focus on sales and delivery of technology services and solutions may not improve our profitability or result in expanded market share.

We have made and are currently making efforts to increase our market share by investing in training and retention of our outbound phone-based sales force. We have also incurred, and expect to continue to incur, significant expenses resulting from infrastructure investments related to our outbound phone-based sales force. Our customers are increasingly consuming IT in different and evolving ways and utilizing more elaborate services and solutions. In response, we are investing in our services and solutions capabilities and portfolio and are working with our customers to identify areas where they can gain efficiencies by outsourcing to us traditional IT functions. Specifically, we are focused on and investing in solutions around the data center (which includes storage and security solutions), cloud computing, collaboration, virtualization, secure mobility, borderless networks and enterprise software solutions. We cannot assure you that any of our investments in our outbound phone-based sales force or our focus on our services and solutions capabilities and portfolio will result in expanded market share or increased profitability in the near or long term.

Our financial performance could be adversely affected if we are not able to retain and increase the experience of our sales force or if we are not able to maintain or increase their productivity.

Our sales and operating results may be adversely affected if we are unable to increase the average tenure of our account executives or if the sales volumes and profitability achieved by our account executives do not increase with their increased experience.

Existing or future government and tax laws and regulations and related risks could expose us to liabilities or costly changes in our business operations, and could reduce demand for our products and services.

Based upon current interpretations of existing law, certain of our subsidiaries currently collect and remit sales or use tax only on sales of products or services to residents of the states in which the respective subsidiaries have a physical presence or have voluntarily registered for sales tax collection. The U.S. Supreme Court has ruled that states, absent Congressional legislation, may not impose tax collection obligations on an out-of-state direct marketer whose only contacts with the taxing state are distribution of catalogs and other advertisement materials through the mail, and whose subsequent delivery of purchased goods is by mail or interstate common carriers. However, we cannot predict the level of contact with any state which would give rise to future or past tax collection obligations. Additionally, it is possible that federal legislation could be enacted that would permit states to impose sales or use tax collection obligations on out-of-state direct marketers. Furthermore, court cases have upheld tax collection obligations on companies, including mail order companies, whose contacts with the taxing state were quite limited (e.g., visiting the state several times a year to aid customers or to inspect stores stocking their goods or to provide training or other support to customers in the state). States have also successfully imposed sales and use tax collection responsibility upon in-state manufacturers that agree to act as a drop shipper for the out-of-state marketer, giving rise to the risk that such taxes may be imposed indirectly on the out-of-state seller. We believe our operations in states in which we have no physical presence are different from the operations of the companies in those cases and are thus not subject to the tax collection obligations imposed by those decisions. Various state laws, regulations and taxing authorities have sought to impose on direct marketers with no physical presence in the taxing state the burden of collecting or reporting information related to state sales and use taxes on the sale of products shipped or services sold to those states' residents, and it is possible that such a requirement could be imposed in the future. For example, New York recently adopted an affiliate marketing statute and related regulations that impose sales and use tax collection obligations on out-of-state sellers that use certain web-based affiliate marketing relationships with web-based affiliates deemed to be located in New York. Other states have proposed similar legislation. There can be no assurance that existing or future laws that impose taxes or other regulations on direct marketing or Internet commerce would not substantially impair our growth or otherwise have a material adverse effect on our business, results or operations and financial condition.

In addition, we and our subsidiaries may be subject to state or local taxes on income or on gross receipts or a similar measure earned in a state even though we and our subsidiaries may have no physical presence in the state. State and local governments may seek to impose such taxes in cases where they believe the taxpayer may have a significant economic presence by reason of significant sales to customers located in the states. The responsibility to pay income and gross receipts taxes has also been the subject of court actions and various legislative efforts. There can be no assurance that these taxes will not be imposed upon us and our subsidiaries.

We also are subject to general business laws and regulations, as well as laws and regulations specifically governing companies that do business over the Internet. These laws and regulations may cover taxation of eCommerce, user privacy, marketing and promotional practices (including electronic communications with our customers and potential customers), database protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, product safety, the provision of online payment services, copyrights, patents and other intellectual property rights, data security, unauthorized access (including the

Computer Fraud and Abuse Act), and the characteristics and quality of products and services. Additionally, some of our subsidiaries which are government contractors or subcontractors are subject to laws and regulations related to companies that sell to the government, including but not limited to regulations of the Department of Labor and laws and regulations related to our procurement of products and services and our sales to the government.

While we have sought to implement processes, programs and systems in an effort to achieve compliance with existing laws and regulations applicable to our business, many of these laws and regulations are unclear and have yet to be interpreted by courts, or may be subject to conflicting interpretations by courts. Further, no assurances can be given that new laws or regulations will not be enacted or adopted, or that our processes, programs and systems will be sufficient to comply with present or future laws or regulations, which might adversely affect our business, financial condition or results of operations.

Such existing and future laws and regulations may also impede our business. Additionally, it is not always clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel, trespass, data mining and collection, data security and personal privacy, among other laws, apply to our businesses. Unfavorable resolution of these issues may expose us to liability and costly changes in our business operations, and could reduce customer demand for our products, services and solutions.

Additionally, although historically only a small percentage of our total sales in any given quarter or year are made to customers outside of the continental United States, there is a possibility that a foreign jurisdiction may take the position that our business is subject to its laws and regulations, which could impose restrictions or burdens on us and expose us to tax and other potential liabilities and could also require costly changes to our business operations with respect to those jurisdictions. In some cases, our sales related to foreign jurisdictions could also be subject to export control laws and foreign corrupt practice laws and there is a risk that we could face allegations from U.S. or foreign governmental authorities alleging our failure to comply with the requirements of such laws subjecting us to costly litigation and potential significant governmental penalties or fines.

Part of our business strategy includes the opportunistic acquisition of other companies, and we may have difficulties integrating acquired companies into our operations in a cost-effective manner, if at all.

One element of our business strategy involves the potential expansion through opportunistic acquisitions of businesses, assets, personnel or technologies that allow us to complement our existing operations, expand our market coverage, or add new business capabilities. We continually evaluate and explore strategic opportunities as they arise, including business combination transactions, strategic partnerships, and the purchase or sale of assets. Our acquisition strategy depends on the availability of suitable acquisition candidates at reasonable prices and our ability to resolve challenges associated with integrating acquired businesses into our existing business. No assurance can be given that the benefits or synergies we may expect from the acquisition of companies or businesses will be realized to the extent or in the time frame we anticipate. We may lose key employees, customers, distributors, vendors and other business partners of the companies we acquire following and continuing after announcement of acquisition plans. In addition, acquisitions may involve a number of risks and difficulties, including expansion into new geographic markets and business areas, the diversion of management's attention to the operations and personnel of the acquired company, the integration of the acquired company's personnel, operations and management information (ERP) systems, changing relationships with customers, suppliers and strategic partners, and potential short-term adverse effects on our operating results. These challenges can be magnified as the size of the acquisition increases. Any delays or unexpected costs incurred in connection with the integration of acquired companies or otherwise related to the acquisitions could have a material adverse effect on our business, financial condition and results of operations.

Acquisitions may require large one-time charges and can result in increased debt or other contingent liabilities, adverse tax consequences, deferred compensation charges, the recording and later amortization of amounts related to deferred compensation and certain purchased intangible assets, and the refinement or revision of fair value acquisition estimates following the completion of acquisitions, any of which items could negatively impact our business, financial condition and results of operations. In addition, we may record goodwill in connection with an acquisition and incur goodwill impairment charges in the future. Any of these charges could cause the price of our common stock to decline.

An acquisition could absorb substantial cash resources, require us to incur or assume debt obligations, or involve our issuance of additional equity securities. If we issue equity securities in connection with an acquisition, we may dilute our common stock with securities that have an equal or a senior interest in our company. If we incur additional debt to pay for an acquisition, it may significantly reduce amounts that would otherwise be available under our credit facility, increase our interest expense, leverage and debt service requirements and could negatively impact our ability to comply with applicable financial covenants in our credit facility or limit our ability to obtain credit from our vendors. Acquired entities also may be highly leveraged or dilutive to our earnings per share, or may have unknown liabilities. In addition, the combined entity may have lower revenues or higher expenses and therefore may not achieve the anticipated results. Any of these factors relating to acquisitions could have a material adverse impact on our business, financial condition and results of operations.

We cannot assure you that we will be able to identify suitable acquisition opportunities, consummate any pending or future acquisitions or that we will realize any anticipated benefits from any such acquisitions. Even if we do find suitable acquisition opportunities, we may not be able to consummate the acquisitions on commercially acceptable terms, and any decline in the price of our common stock may make it significantly more difficult and expensive to initiate or consummate additional acquisitions. We cannot assure you that we will be able to implement or sustain our acquisition strategy or that our strategy will ultimately prove profitable.

If goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

The purchase price allocation for our historical acquisitions resulted in a material amount allocated to goodwill and intangible assets. In accordance with GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We review the fair values of our goodwill and intangible assets with indefinite useful lives and test them for impairment annually or whenever events or changes in circumstances indicate an impairment may have occurred. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or intangible assets may not be recoverable include a decline in stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in our industry. We may be required to record a significant non-cash charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which could have a material adverse effect on our results of operations.

If significant negative industry or economic trends, including decreases in our market capitalization, slower growth rates or lack of growth in our business occurs in the future it may indicate that impairment charges are required. If we are required to record any impairment charges, this could have a material adverse effect on our consolidated financial statements. In addition, the testing of goodwill for impairment requires us to make significant estimates about the future performance and cash flows of our company, as well as other assumptions. These estimates can be affected by numerous factors, including changes in economic, industry or market conditions, changes in underlying business operations, future reporting unit operating performance, existing or new product market acceptance, changes in competition, or changes in technologies. Any changes in key assumptions, or actual performance compared with those assumptions, about our business and future prospects or other assumptions could affect the fair value of one or more reporting units, resulting in an impairment charge.

We may not be able to maintain profitability on a quarterly or annual basis.

Our ability to maintain profitability on a quarterly or annual basis given our planned business strategy depends upon a number of factors, including but not limited to our ability to achieve and maintain vendor relationships, procure merchandise and fulfill orders in an efficient manner, leverage our fixed cost structure, maintain adequate levels of vendor consideration and price protection, maintain a well-balanced product and customer mix, maintain customer acquisition costs and shipping costs at acceptable levels, and our ability to effectively compete in the marketplace with our competitors. Our ability to maintain profitability on a quarterly or annual basis will also depend on our ability to manage and control operating expenses and to generate and sustain adequate levels of revenue. Many of our expenses are fixed in the short term, and we may not be able to quickly reduce spending if our revenue is lower than what we project. In addition, we may find that our business plan costs more to execute than what we currently anticipate. Some of the factors that affect our ability to maintain profitability on a quarterly or annual basis are beyond our control, including general economic trends and uncertainties.

The effect of accounting rules for stock-based compensation may materially adversely affect our consolidated operating results, our stock price and our ability to hire, retain and motivate employees.

We use employee stock options and other stock-based compensation to hire, retain and motivate certain of our employees. Current accounting rules require us to measure compensation costs for all stock-based compensation (including stock options) at fair value as of the date of grant and to recognize these costs as expenses in our consolidated statements of operations. The recognition of non-cash stock-based compensation expenses in our consolidated statements of operations has had and will likely continue to have a negative effect on our consolidated operating results, including our net income and earnings per share, which could negatively impact our stock price. Additionally, if we reduce or alter our use of stock-based compensation to reduce these expenses and their impact, our ability to hire, motivate and retain certain employees could be adversely affected and we may need to increase the cash compensation we pay to these employees.

Our operating results are difficult to predict and may adversely affect our stock price.

Our operating results have fluctuated in the past and are likely to vary significantly in the future based upon a number of factors, many of which we cannot control. We operate in a highly dynamic industry and future results could be subject to significant fluctuations. These fluctuations could cause us to fail to meet or exceed financial expectations of investors or analysts, which could cause our stock price to decline rapidly and significantly. Revenue and expenses in future periods may be greater or less than revenue and expenses in the immediately preceding period or in the comparable period of the prior year. Therefore, period-to-period comparisons of our operating results are not necessarily a good indication of our future performance. Some of the factors that could cause our operating results to fluctuate include:

- changes in the mix of products, services or solutions that we sell;
- the amount and timing of operating costs and capital expenditures relating to any expansion of our business operations and infrastructure;
- price competition that results in lower sales volumes, lower profit margins, or net losses;
- the availability of vendor programs, authorizations or certifications;
- our ability to attract and retain key personnel and the related costs,
- fluctuations in the demand for our products, services or solutions or overstocking or under-stocking of our products;
- economic conditions;
- changes in the amounts of information technology spending by our customers;
- the amount and timing of advertising and marketing costs;
- fluctuations in levels of inventory theft, damage or obsolescence that we incur;
- our ability to successfully integrate operations and technologies from any past or future acquisitions or other business combinations;
- revisions or refinements of fair value estimates relating to acquisitions or other business combinations;
- changes in the number of visitors to our websites or our inability to convert those visitors into customers;
- technical difficulties, including system or Internet failures;
- introduction of new or enhanced products, services or solutions by us or our competitors;
- fluctuations in our shipping costs; and
- foreign currency exchange rates.

If we fail to accurately predict our inventory risk, our gross margins may decline as a result of required inventory write downs due to lower prices obtained from older or obsolete products.

We derive a significant amount of our gross sales from products sold out of inventory at our distribution facilities. We assume the inventory damage, theft and obsolescence risks, as well as price erosion risks for products that are sold out of inventory stocked at our distribution facilities. These risks are especially significant because many of the products we sell are characterized by rapid technological change, obsolescence and price erosion, and because our distribution facilities sometimes stock large quantities of particular types of inventory. There can be no assurance that we will be able to identify and offer products necessary to remain competitive, maintain our gross margins, or avoid or minimize losses related to excess and obsolete inventory. We currently have limited return rights with respect to products we purchase from Apple, HP and certain other vendors, but these rights vary by product line, are subject to specified conditions and limitations, and can be terminated or changed at any time.

We may need additional financing and may not be able to raise additional financing on favorable terms or at all, which could increase our costs, limit our ability to grow and dilute the ownership interests of existing stockholders.

We require substantial working capital to fund our business. We believe that our current working capital, including our existing cash balance, together with our expected future cash flows from operations and available borrowing capacity under our existing credit facility, which functions as a working capital line of credit, will be adequate to support our current operating plans for at least the next twelve months. However, if we need additional financing, such as for acquisitions or expansion of our business or the businesses of our subsidiaries or to finance our operations during a significant downturn in sales or an increase in operating expenses, there are no assurances that adequate financing will be available on acceptable terms, if at all. We may in the future seek additional financing from public or private debt or equity financings to fund additional expansion, or take advantage of strategic opportunities or favorable market conditions. There can be no assurance such financings will be available on terms favorable to us or at all. To the extent any such financings involve the issuance of equity securities, existing stockholders could suffer dilution. If we raise additional financing through the issuance of equity, equity-related or debt securities, those securities may have rights, preferences or privileges senior to those of the rights of our common stock and our stockholders will experience dilution of their ownership interests. If additional financing is required but not available, we would have to implement further measures to conserve cash and reduce costs. However, there is no assurance that such measures would be successful. Our failure to raise required additional financing could adversely affect our ability to maintain, develop or enhance our product offerings, take advantage of future strategic opportunities, respond to competitive pressures or continue operations.

Economic volatility and geopolitical uncertainty could result in disruptions of the capital and credit markets. Problems in these areas could have a negative impact on our ability to obtain future financing if we need additional funds, such as for acquisitions or expansion, to fund changes in our sales or an increase in our operating expenses, or to take advantage of strategic opportunities or favorable market conditions. We may seek additional financing from public or private debt or equity issuances; however, there can be no assurance that such financing will be available at acceptable terms, if at all. Also, there can be no assurance that the cost or availability of future borrowings, if any, under our credit facility or in the debt markets will not be impacted by disruptions in the capital and credit markets.

Rising interest rates could negatively impact our results of operations and financial condition.

A significant portion of our working capital requirements and our real estate acquisitions have historically been funded through borrowings under our working capital credit facility or through long term notes. These facilities bear interest at variable rates tied to the LIBOR or prime rate, and the long term notes generally have initial terms of between five and seven years. If the variable interest rates on our borrowings increase, we could incur greater interest expense than we have in the past. Rising interest rates, and our increased interest expense that would result from them, could negatively impact our results of operations and financial condition.

We may be subject to claims regarding our intellectual property, including our business processes, or the products, services or solutions we sell, any of which could result in expensive litigation, distract our management or force us to enter into costly royalty or licensing agreements.

Third parties have asserted, and may in the future assert, that our business or the technologies we use or sell infringe on their intellectual property rights. As a result, we may be subject to intellectual property legal proceedings and claims in the ordinary course of our business. We cannot predict whether third parties will assert additional claims of infringement against us in the future or whether any future claims will prevent us from offering popular products or operating our business as planned. If we are forced to defend against any third-party infringement claims, whether they are with or without merit or are determined in our favor, we could face expensive and time-consuming litigation, which could result in the imposition of a preliminary injunction preventing us from continuing to operate our business as currently conducted throughout the duration of the litigation or distract our technical and management personnel. If we are found to infringe, we may be required to pay monetary damages, which could include treble damages and attorneys' fees for any infringement that is found to be willful, and either be enjoined or required to pay ongoing royalties with respect to any technologies found to infringe. Further, as a result of infringement claims either against us or against those who license technology to us, we may be required, or deem it advisable, to develop non-infringing technology, which could be costly and time consuming, or enter into costly royalty or licensing agreements. Such royalty or licensing agreements, if required, may be unavailable on terms that are acceptable to us, or at all. If a third party successfully asserts an infringement claim against us and we are enjoined or required to pay monetary damages or royalties or we are unable to develop suitable non-infringing alternatives or license the infringed or similar technology on reasonable terms on a timely basis, our business, results of operations and financial condition could be materially harmed. Similarly, we may be required incur substantial monetary and diverted resource costs in order to protect our intellectual property rights against infringement by others.

Furthermore, we sell products and solutions manufactured and distributed by third parties, some of which may be defective. If any product or solution that we sell were to cause physical injury or damage to property, the injured party or parties could bring claims against us as the retailer of the product or solution. Our insurance coverage may not be adequate to cover every claim that could be asserted. If a successful claim were brought against us in excess of our insurance coverage, it could expose us to significant liability. Even unsuccessful claims could result in the expenditure of funds and management time and could decrease our profitability.

Costs and other factors associated with pending or future litigation could materially harm our business, results of operations and financial condition.

From time to time we receive claims and become subject to litigation, including consumer protection, employment, intellectual property and other litigation related to the conduct of our business. Additionally, we may from time to time institute legal proceedings against third parties to protect our interests. Any litigation that we become a party to could be costly and time consuming and could divert our management and key personnel from our business operations. In connection with any such litigation, we may be subject to significant damages or equitable remedies relating to the operation of our business and could incur significant costs in asserting, defending, or settling any such litigation. We cannot determine with any certainty the costs or outcome of pending or future litigation. Any such litigation may materially harm our business, results of operations or financial condition.

We may fail to expand our product, services and solutions categories and offerings or our websites or our processing systems in a cost-effective and timely manner as may be required to efficiently operate our business.

We may be required to expand or change our product, services and solutions categories or offerings, our websites or our processing systems in order to compete in our highly competitive and rapidly changing industry or to efficiently operate our business. Any failure on our part to expand or change the way we do business in a cost-effective and timely manner in response to any such requirements would likely adversely affect our operating results, financial condition or future prospects. Additionally, we cannot assure you that we will be successful in implementing any such changes when and if they are required.

We have generated substantial portions of our revenue in the past from the sale of computer hardware, software and accessories and consumer electronics products. Expansion into new product, service and solutions categories, including for example our efforts to grow our value-added services and solutions, may require us to incur significant marketing expenses, develop relationships with new vendors and comply with new regulations. We may lack the necessary expertise in a new category to realize the expected benefits of that new category. These requirements could strain our managerial, financial and operational resources. Additional challenges that may affect our ability to expand into new product, service or solutions categories include our ability to:

- establish or increase awareness of our new brands and product, service and solutions categories;
- acquire, attract and retain customers at a reasonable cost;
- achieve and maintain a critical mass of customers and orders across all of our product categories;
- attract a sufficient number of new customers to whom any new categories and offerings are targeted;
- successfully market our new categories or offerings to existing customers;
- maintain or improve our gross margins and fulfillment costs;
- attract and retain vendors to provide expanded lines of products, services or solutions to our customers on terms that are acceptable to us; and
- manage our inventory in new product categories.

We cannot be certain that we will be able to successfully address any or all of these challenges in a manner that will enable us to expand our business into new categories in a cost-effective or timely manner. If our new categories are not received favorably, or if our suppliers fail to meet our customers' expectations, our results of operations would suffer and our reputation and the value of the applicable new brand and our other brands could be damaged. The lack of market acceptance of our new categories or our inability to generate satisfactory revenue from any such expanded offerings to offset their cost could harm our business, financial condition or results of operations.

We may not be able to attract and retain key personnel such as senior management, sales, services and solutions personnel or information technology specialists.

Our future performance will depend to a significant extent upon the efforts and abilities of certain key management and other personnel, including Frank F. Khulusi, our Chairman of the Board and Chief Executive Officer, as well as other executive officers and senior management. The loss of service of one or more of our key management members could have a material adverse effect on our business. Our success and plans for future growth will also depend in part on our management's continuing ability to hire, train and retain skilled personnel in all areas of our business such as sales, service and solutions personnel and IT personnel. For example, our management information systems and processes require the services of employees with extensive knowledge of these systems and processes and the business environment in which we operate, and in order to successfully implement and operate our systems and processes we must be able to attract and retain a significant number of information technology specialists. We may not be able to attract, train and retain the skilled personnel required to, among other things, implement, maintain, and operate our information systems and processes, and any failure to do so would likely have a material adverse effect on our operations.

If we fail to achieve and maintain adequate internal controls, we may not be able to produce reliable financial reports in a timely manner or prevent financial fraud.

We monitor and periodically test our internal control procedures. We may from time to time identify deficiencies which we may not be able to remediate in a timely or cost-effective manner. In addition, if we fail to achieve and maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting. Effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important in helping prevent financial fraud. If we cannot provide reliable financial reports on a timely basis or prevent financial fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our stock could drop significantly.

Any inability to effectively manage our growth may prevent us from successfully expanding our business.

The growth of our business has required us to make significant additions in personnel and has significantly increased our working capital requirements. Although we have experienced significant sales growth in the past, such growth should not be considered indicative of future sales growth. Such growth has resulted in new and increased responsibilities for our management personnel and has placed and continues to place significant strain upon our management, operating and financial systems, and other resources. Any future growth, whether organic or through acquisition, may result in increased strain. There can be no assurance that current or future strain will not have a material adverse effect on our business, financial condition, and results of operations, nor can there be any assurance that we will be able to attract or retain sufficient personnel to continue the expansion of our operations. Also crucial to our success in managing our growth will be our ability to achieve additional economies of scale. We cannot assure you that we will be able to achieve such economies of scale, and the failure to do so could have a material adverse effect upon our business, financial condition or results of operations.

Our advertising and marketing efforts may be costly and may not achieve desired results.

We incur substantial expense in connection with our advertising and marketing efforts. Although we target our advertising and marketing efforts on current and potential customers who we believe are likely to be in the market for the products we sell, we cannot assure you that our advertising and marketing efforts will achieve our desired results. In December 2012, we unified many of our commercial brands. While we believe this unification provides an improved customer experience, operational synergies and benefits to all of our stakeholders, we are unable to quantify all of the synergies or potential future costs related to our rebranding strategy. In addition, we periodically adjust our advertising expenditures in an effort to optimize the return on such expenditures. Any decrease in the level of our advertising expenditures which may be made to optimize such return could adversely affect our sales.

We are exposed to the credit risk of some of our customers and to credit exposures in weakened markets, which could negatively impact our business, operating results and financial condition.

Business customers who qualify are provided credit terms and while we monitor individual customer payment capability and maintain reserves we believe are adequate to cover exposure for doubtful accounts, we have exposure to credit risk in the event that customers fail to meet their payment obligations. Additionally, to the degree that there may be tightness in the credit markets that makes it more difficult for some customers to obtain financing, those customers' ability to meet their payment obligations to us could be adversely impacted, which in turn could have a material adverse impact on our business, operating results, and financial condition.

Increased product returns or a failure to accurately predict product returns could decrease our revenue and impact profitability.

We make allowances for product returns in our consolidated financial statements based on historical return rates. We are responsible for returns of certain products shipped from our distribution center, as well as products that are shipped to our customers directly from our vendors. If our actual product returns significantly exceed our allowances for returns, our revenue and profitability could decrease. In addition, because our allowances are based on historical return rates, the introduction of new merchandise categories, new products, changes in our product mix, or other factors may cause actual returns to exceed return allowances, perhaps significantly. In addition, any policies that we adopt that are intended to reduce the number of product returns may result in customer dissatisfaction and fewer repeat customers.

Our business may be harmed by fraudulent activities on our websites.

We have received in the past, and anticipate that we will receive in the future, communications from customers due to purported fraudulent activities on our websites, including fraudulent credit card transactions. Negative publicity generated as a result of fraudulent conduct by third parties could damage our reputation and diminish the value of our brand name. Fraudulent activities on our websites could also subject us to losses and could lead to scrutiny from lawmakers and regulators regarding the operation of our websites. We expect to continue to receive requests from customers for reimbursement due to purportedly fraudulent activities or threats of legal action against us if no reimbursement is made.

Breaches of data security could significantly impact our business.

If third parties or our employees are able to penetrate our network security or otherwise misappropriate our customers' personal information or credit card information, or such information for which our customers may be responsible and for which we agree to be responsible in connection with service contracts we may enter, or if we give third parties or our employees improper access to any such personal information or credit card information, we could be subject to liability. This liability could include claims for unauthorized purchases with credit card information, identity theft or other similar fraud-related claims. This liability could also include claims for other misuses of personal information, including for unauthorized marketing purposes. Other liability could include claims alleging misrepresentation or our privacy and data security practices. Any such liability for misappropriation of this information could decrease our profitability. In addition, the Federal Trade Commission and state agencies have been investigating various Internet companies regarding whether they misused or inadequately secured personal information regarding consumers. We could incur additional expenses if new laws or regulations regarding the use of personal information are introduced or if government agencies investigate our privacy practices.

We seek to rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure online transmission of confidential information such as customer credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the algorithms that we use to protect sensitive customer transaction data. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. Our security measures are designed to protect against security breaches, but our failure to prevent such security breaches could cause us to incur significant expense to investigate and respond to a security breach and correct any problems caused by any breach, subject us to liability, damage our reputation and diminish the value of our brand-name.

Laws or regulations relating to privacy and data protection may adversely affect the growth of our Internet business or our marketing efforts.

We mail catalogs and send electronic messages to names in our proprietary customer database and to potential customers whose names we obtain from rented or exchanged mailing lists. Worldwide public concern regarding personal privacy has subjected the rental and use of customer mailing lists and other customer information to increased scrutiny and regulation. As a result, we are subject to increasing regulation relating to privacy and the use of personal information. For example, we are subject to various telemarketing and anti-spam laws that regulate the manner in which we may solicit future suppliers and customers. Such regulations, along with increased governmental or private enforcement, may increase the cost of operating and growing our business. In addition, several states have proposed legislation that would limit the uses of personal information gathered online or require online services to establish privacy policies. The Federal Trade Commission has adopted regulations regarding the collection and use of personal identifying information obtained from children under 13 years of age. Bills proposed in Congress would expand online privacy protections already provided to adults. Moreover, both in the United States and elsewhere, laws and regulations are becoming increasingly protective of consumer privacy, with a trend toward requiring companies to establish procedures to notify users of privacy and security policies, to obtain consent from users for collection and use of personal information, and to provide users with the ability to access, correct and delete personal information stored by companies. Such privacy and data protection laws and regulations, and efforts to enforce such laws and regulations, may restrict our ability to collect, use or transfer demographic and personal information from users, which could be costly or harm our marketing efforts. Further, any violation of domestic or foreign privacy or data protection laws and regulations, including the national do-not-call list, may subject us to fines, penalties and damages, which could decrease our revenue and profitability.

The growth and demand for online commerce has and may continue to result in more stringent consumer protection laws that impose additional compliance burdens on online companies. These consumer protection laws could result in substantial compliance costs and could decrease our profitability. Further, additional regulation of the Internet may lead to a decrease in Internet usage, which could adversely affect our business. Growing public concern about privacy and the collection, distribution and use of information about individuals may subject us to increased regulatory scrutiny or litigation. In the past, the FTC has investigated companies that have used personally identifiable information without permission or in violation of a stated privacy policy. If we are accused of violating the stated terms of our privacy policy or of data breach violations, we may face a loss of customers or damage to our reputation and may be forced to expend significant amounts of financial and managerial resources to defend against these accusations, face potential liability and be subject to extended regulatory oversight in the form of a long-term consent order.

Data security laws are also becoming more widespread and burdensome in the United States, and increasingly require notification of affected individuals and, in some instances, regulators. Moreover, third parties are engaging in increased cyber-attacks and other data theft efforts, and individuals are increasingly subjected to theft of identity, medical or credit card or other financial account information. In addition to risks we face from cyber attacks or data theft efforts directly targeted at our systems, we offer our products, services and solutions to companies, such as healthcare or financial institutions, under contracts which may expose us to significant liabilities for data breaches or losses which could arise out of or result from products, services or solutions we may sell to these institutions. There is a risk that we may fail to prevent such data theft or data breaches and that our customers or others may assert claims against us as a result. In addition, the FTC and state consumer protection authorities have brought a number of enforcement actions against U.S. companies for alleged deficiencies in those companies' data security practices, and they may continue to bring such actions. Enforcement actions, which may or may not be based upon actual cyber attacks or other breaches in data security, present an ongoing risk to us, could result in a loss of customers, damage to our reputation and monetary damages.

The security risks of eCommerce may discourage customers from purchasing products, services or solutions from us.

In order for the eCommerce market to be successful, we and other market participants must be able to transmit confidential information securely over public networks. Third parties may have the technology or know-how to breach the security of customer transaction data. Any breach could cause customers to lose confidence in the security of our websites and choose not to purchase from our websites. If someone is able to circumvent our security measures, he or she could destroy or steal valuable information or disrupt our operations. Concerns about the security and privacy of transactions over the Internet could inhibit the growth of Internet usage and eCommerce. Our security measures may not effectively prohibit others from obtaining improper access to our information. Any security breach could expose us to risks of loss, litigation and liability and could seriously damage our reputation, disrupt our operations and require the devotion of significant management, financial and other resources to remedy the breach and comply with applicable notice and other legal requirements in connection therewith.

Credit card fraud could decrease our revenue and profitability.

We do not carry insurance against the risk of credit card fraud, so the failure to adequately control fraudulent credit card transactions could reduce our revenues or increase our operating costs. We may in the future suffer losses as a result of orders placed with fraudulent credit card data even though the associated financial institution approved payment of the orders. Under current credit card practices, we may be liable for fraudulent credit card transactions. If we are unable to detect or control credit card fraud, or if credit card companies require more burdensome terms or refuse to accept credit card charges from us, our revenue and profitability could decrease.

Our facilities and systems are vulnerable to natural disasters or other catastrophic events.

Our headquarters, customer service center and a part of our infrastructure, including computer servers, are located near Los Angeles, California and in other areas that are susceptible to earthquakes, floods, severe weather and other natural disasters. Our distribution facilities, which are located in Memphis, Tennessee, Irvine, California and Lewis Center, Ohio, house the product inventory from which a substantial majority of our orders are shipped, and are also in areas that are susceptible to natural disasters and extreme weather conditions such as earthquakes, fire, floods and major storms. Our operations in the Philippines are also in an area that is periodically subject to extreme weather. A natural disaster or other catastrophic event, such as an earthquake, fire, flood, severe storm, break-in, terrorist attack or other comparable events in the areas in which we operate could cause interruptions or delays in our business and loss of data or render us unable to accept and fulfill customer orders in a timely manner, or at all. Our systems, including our management information systems, websites and communications systems, are not fully redundant, and we do not have redundant geographic locations or earthquake insurance. Further, power outages in any locations where our systems are located could disrupt our operations. We currently are in process of developing a formal disaster recovery plan and certain of our subsidiaries have geographical redundancies for web and critical information systems. Our business interruption insurance may not adequately compensate us for losses that may occur.

We rely on independent shipping companies to deliver the products we sell.

We rely upon third party carriers, especially FedEx and UPS, for timely delivery of our product shipments. As a result, we are subject to carrier disruptions and increased costs due to factors that are beyond our control, including employee strikes, inclement weather and increased fuel costs. Any failure to deliver products to our customers in a timely and accurate manner may damage our reputation and brand and could cause us to lose customers. We do not have a written long-term agreement with any of these third party carriers, and we cannot be sure that these relationships will continue on terms favorable to us, if at all. If our relationship with any of these third party carriers is terminated or impaired, or if any of these third parties are unable to deliver products for us, we would be required to use alternative carriers for the shipment of products to our customers. We may be unable to engage alternative carriers on a timely basis or on terms favorable to us, if at all. Potential adverse consequences include:

- reduced visibility of order status and package tracking;
- delays in order processing and product delivery;
- increased cost of delivery, resulting in reduced margins; and
- reduced shipment quality, which may result in damaged products and customer dissatisfaction.

Furthermore, shipping costs represent a significant operational expense for us. Any future increases in shipping rates could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to compete successfully against existing or future competitors, which include some of our largest vendors.

The business of direct marketing of the products, services and solutions we sell is highly competitive and driven in large part by price, product, service and solutions availability, speed and accuracy of delivery and performance, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and services, availability of talented sales and service personnel and the availability of technical information. We compete with other direct marketers, including CDW, Insight Enterprises and PC Connection. In addition, we compete with large value added resellers such as CompuCom Systems and World Wide Technology, and computer retail stores and resellers, including superstores such as Best Buy and Staples, certain hardware and software vendors such as Apple and Dell Computer that sell or are increasing sales directly to end users, online resellers such as Amazon.com, Newegg.com and TigerDirect.com, government resellers such as GTSI, CDWG and GovConnection, software focused resellers such as Soft Choice and Software House International and other direct marketers and value added resellers of hardware, software and computer-related and electronic products. In the direct marketing and Internet retail industries, barriers to entry are relatively low and the risk of new competitors entering the market is high. Certain of our existing competitors have substantially greater financial resources than we have. There can be no assurance that we will be able to continue to compete effectively against existing competitors, consolidations of competitors or new competitors that may enter the market.

Furthermore, the manner in which our products, services and solutions are distributed and sold is changing, and new methods of sale and distribution have emerged and serve an increasingly large portion of the market. Computer hardware and software OEM vendors have sold, and may intensify their efforts to sell, their products directly to end users. From time to time, certain OEM vendors, including Apple and HP, have instituted programs for the direct sale of large quantities of hardware and software to certain large business accounts. These types of programs may continue to be developed and used by various OEM vendors. Software publishers also may attempt to increase the volume of software products distributed electronically directly to end users' personal computers. Any of these competitive programs, if successful, could have a material adverse effect on our business, financial condition or results of operations.

Our success is tied to the continued use of the Internet and the adequacy of the Internet infrastructure.

The level of sales generated from our websites, both in absolute terms and as a percentage of our net sales, continues to be material to our operating results. Our Internet sales are dependent upon customers continuing to use the Internet in addition to traditional means of commerce to purchase products and services. Widespread use of the Internet could decline as a result of disruptions, computer viruses, data security threats, privacy issues or other damage to Internet servers or users' computers. If consumer use of the Internet to purchase products, services or solutions declines in any significant way, our business, financial condition and results of operations could be adversely affected.

The success of our Canadian call center is dependent, in part, on our receipt of government labor credits.

We maintain a Canadian call center serving the U.S. market, which receives benefit of labor credits under the Investment Quebec Refundable Tax Credit for Major Employment Generating Projects (GPCE) program. In addition to other eligibility requirements under the program, which extends through fiscal year 2016, we are required to maintain a minimum of 317 eligible employees employed by our subsidiary, PCM Sales Canada, Inc., in the province of Quebec. The success of our Canadian call center is dependent, in part, on our receipt of the government labor credits we expect to receive. If we do not receive these expected labor credits, or a sufficient portion of them, the costs of operating our Canadian call center may exceed the benefits it provides us and our operating results would likely suffer.

We are exposed to the risks of business and other conditions in the Asia Pacific region.

All or portions of certain of the products we sell are produced, or have major components produced, in the Asia Pacific region. We engage in U.S. dollar denominated transactions with U.S. divisions and subsidiaries of companies located in that region as well. As a result, we may be indirectly affected by risks associated with international events, including economic and labor conditions, political instability, tariffs and taxes, availability of products, natural disasters and currency fluctuations in the U.S. dollar versus the regional currencies. In the past, countries in the Asia Pacific region have experienced volatility in their currency, banking and equity markets. Future volatility could adversely affect the supply and price of the products we sell and their components and ultimately, our results of operations.

We maintain an office in the Philippines and we may increase these and other offshore operations in the future. Establishing offshore operations may entail considerable expense before we realize cost savings, if any, from these initiatives. The risks associated with doing business overseas and international events could prevent us from realizing the expected benefits from our Philippines operations or any other offshore operations that we establish.

The increasing significance of our foreign operations exposes us to risks that are beyond our control and could affect our ability to operate successfully.

In order to enhance the cost-effectiveness of our operations, we have increasingly sought to shift portions of our operations to jurisdictions with lower cost structures than that available in the United States. The transition of even a portion of our business operations to new facilities in a foreign country involves a number of logistical and technical challenges that could result in operational interruptions, which could reduce our revenues and adversely affect our business. We may encounter complications associated with the set-up, migration and operation of business systems and equipment in a new facility. This could result in disruptions that could damage our reputation and otherwise adversely affect our business and results of operations.

To the extent that we shift any operations or labor offshore to jurisdictions with lower cost structures, we may experience challenges in effectively managing those operations as a result of several factors, including time zone differences and regulatory, legal, cultural and logistical issues. Additionally, the relocation of labor resources may have a negative impact on our existing employees, which could negatively impact our operations. If we are unable to effectively manage our offshore personnel and any other offshore operations, our business and results of operations could be adversely affected.

We cannot be certain that any shifts in our operations to offshore jurisdictions will ultimately produce the expected cost savings. We cannot predict the extent of government support, availability of qualified workers, future labor rates, or monetary and economic conditions in any offshore locations where we may operate. Although some of these factors may influence our decision to establish or increase our offshore operations, there are inherent risks beyond our control, including:

- political unrest or uncertainties;
- wage inflation;
- exposure to foreign currency fluctuations;
- tariffs and other trade barriers; and
- foreign regulatory restrictions and unexpected changes in regulatory environments.

We will likely be faced with competition in these offshore markets for qualified personnel, and we expect this competition to increase as other companies expand their operations offshore. If the supply of such qualified personnel becomes limited due to increased competition or otherwise, it could increase our costs and employee turnover rates. One or more of these factors or other factors relating to foreign operations could result in increased operating expenses and make it more difficult for us to manage our costs and operations, which could cause our operating results to decline and result in reduced revenues.

International operations expose us to currency exchange risk and we cannot predict the effect of future exchange rate fluctuations on our business and operating results.

We have operation centers in Canada and the Philippines that provide back-office administrative support and customer service support. Our international operations are sensitive to currency exchange risks. We have currency exposure arising from both sales and purchases denominated in foreign currencies, as well as intercompany transactions. Significant changes in exchange rates between foreign currencies in which we transact business and the U.S. dollar may adversely affect our results of operations and financial condition. Historically, we have not entered into any hedging activities, and, to the extent that we continue not to do so in the future, we may be vulnerable to the effects of currency exchange-rate fluctuations.

In addition, our international operations also expose us to currency fluctuations as we translate the financial statements of our foreign operations to the U.S. dollar. Although the effect of currency fluctuations on our financial statements has not generally been material in the past, there can be no guarantee that the effect of currency fluctuations will not be material in the future.

We are subject to risks associated with consolidation within our industry.

Many technology resellers are consolidating operations and acquiring or merging with other resellers, direct marketers and providers of information technology solutions to achieve economies of scale, expanded product and service offerings, and increased efficiency. The current industry reconfiguration and the trend towards consolidation could cause the industry to become even more competitive, further increase pricing pressures and make it more difficult for us to maintain our operating margins or to increase or maintain the same level of net sales or gross profit. Declining prices, resulting in part from technological changes, may require us to sell a greater number of products, services or solutions to achieve the same level of net sales and gross profit. Such a trend could make it more difficult for us to continue to increase our net sales and earnings growth. In addition, growth in the information technology market has slowed. If the growth rate of the information technology market were to further decrease, our business, financial condition and operating results could be materially adversely affected.

If we are unable to provide satisfactory customer service, we could lose customers or fail to attract new customers.

Our ability to provide satisfactory levels of customer service depends, to a large degree, on the efficient and uninterrupted operation of our customer service operations. Any material disruption or slowdown in our order processing systems resulting from labor disputes, telephone or Internet failures, upgrading our management information systems, power or service outages, natural disasters or other events could make it difficult or impossible to provide adequate customer service and support. Furthermore, we may be unable to attract and retain adequate numbers of competent customer service representatives and relationship managers for our business customers, each of which is essential in creating a favorable interactive customer experience. If we are unable to continually provide adequate staffing and training for our customer service operations, our reputation could be seriously harmed and we could lose customers or fail to attract new customers. In addition, if our e-mail and telephone call volumes exceed our present system capacities, we could experience delays in placing orders, responding to customer inquiries and addressing customer concerns. Because our success depends largely on keeping our customers satisfied, any failure to provide high levels of customer service would likely impair our reputation and decrease our revenues.

Our stock price may be volatile.

We believe that certain factors, such as sales of our common stock into the market by existing stockholders, fluctuations in our quarterly operating results, changes in market conditions affecting stocks of computer hardware and software manufacturers and resellers generally and companies in the Internet and eCommerce industries in particular, could cause the market price of our common stock to fluctuate substantially. Other factors that could affect our stock price include, but are not limited to, the following:

- failure to meet investors' expectations regarding our operating performance;
- changes in securities analysts' recommendations or estimates of our financial performance;
- publication of research reports by analysts;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, commercial relationships, joint ventures or capital commitments;
- actual or anticipated fluctuations in our operating results;
- litigation developments; and
- general economic and market conditions or other economic factors unrelated to our performance, including disruptions in the capital and credit markets.

The stock market in general, and the stocks of computer and software resellers, and companies in the Internet and electronic commerce industries in particular, and other technology or related stocks, have in the past experienced extreme price and volume fluctuations which have been unrelated to corporate operating performance. Such market volatility may adversely affect the market price of our common stock. In the past, following periods of volatility in the market price of a public company's securities, securities class action litigation has often been instituted against that company. Such litigation, if asserted against us, could result in substantial costs to us and cause a likely diversion of our management's attention from the operations of our company.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

In September 2012, our Board of Directors approved a $10 million increase to our discretionary stock repurchase program, which was originally adopted in October 2008 with an initial authorized maximum of $10 million. Under the program, the shares may be repurchased from time to time at prevailing market prices, through open market or unsolicited negotiated transactions, depending on market conditions. We expect that the repurchase of our common stock under the program will be financed with existing working capital and amounts available under our existing credit facility. The repurchased shares are held as treasury stock. No limit was placed on the duration of the repurchase program. There is no guarantee as to the exact number of shares that we will repurchase. Subject to applicable securities laws, repurchases may be made at such times and in such amounts as our management deems appropriate. The program can also be discontinued at any time management feels additional purchases are not warranted. From the inception of the program in October 2008 through March 31, 2015, we have repurchased an aggregate total of 3,148,900 shares of our common stock for a total cost of $17.2 million. At March 31, 2015, we had $2.8 million available in stock repurchases under the program, subject to any limitations that may apply from time to time under our existing credit facility.

A summary of the repurchase activity for the three months ended March 31, 2015 is as follows (dollars in thousands, except per share amounts):

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
January 1, 2015 to January 31, 2015	34,350	$ 9.70	34,350	$ 3,184
February 1, 2015 to February 28, 2015	8,941	9.31	8,941	3,101
March 1, 2015 to March 31, 2015	31,123	9.38	31,123	2,809
Total	74,414		74,414	

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1*	Asset Purchase Agreement, dated March 12, 2015, by and among PCM Sales Acquisition, LLC, PCM, Inc., En Point Technologies Sales, LLC, 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)
10.1**	Summary of Executive Incentive Plan (incorporated herein by reference to Exhibit 10.21 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)
10.2+	Fourth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of April 7, 2015, by and among PCM, Inc. and all of its domestic subsidiaries, certain lenders and Wells Fargo Capital Finance, LLC
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a)
32.1	Certification of the Chief Executive Officer of Registrant furnished 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 Registrant furnished 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

* 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.

** 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.

***

PCM, INC.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	PCM, INC. (Registrant)	
Date: May 11, 2015	By:	/s/ Brandon H. LaVerne Brandon H. LaVerne Chief Financial Officer

PCM, INC.

EXHIBIT LIST

Exhibit Number	Description
10.2+	Fourth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of April 7, 2015, by and among PCM, Inc. and all of its domestic subsidiaries, certain lenders and Wells Fargo Capital Finance, LLC
31.1	Certification of the Chief Executive Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a)
31.2	Certification of the Chief Financial Officer of the Registrant pursuant to Exchange Act Rule 13a-14(a)
32.1	Certification of the Chief Executive Officer of Registrant furnished pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\+ 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.

EXHIBIT 10.2

*** CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

FOURTH AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS FOURTH AMENDMENT TO THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Amendment"), dated as of April 7, 2015, is entered into by and among PCM, INC., a Delaware corporation formerly known as PC Mall, Inc. ("PCM"), PCM SALES, INC., a California corporation formerly known as PC Mall Sales, Inc. ("PCM Sales"), PCM LOGISTICS, LLC, a Delaware limited liability company formerly known as AF Services, LLC ("PCM Logistics"), PCMG, INC., a Delaware corporation formerly known as PC Mall Gov, Inc. ("PCMG"), M2 MARKETPLACE, INC., a Delaware corporation formerly known as Onsale, Inc. ("M2"), ABREON, INC., a Delaware corporation formerly known as AV Acquisition, Inc. ("Abreon"), MALL ACQUISITION SUB 4 INC., a Delaware corporation ("Acquisition 4"), MALL ACQUISITION SUB 5 INC., a Delaware corporation ("Acquisition 5"), PCM BPO, LLC, a Delaware limited liability company formerly known as OSRP, LLC ("PCM BPO"), EN POINTE TECHNOLOGIES SALES, LLC, a Delaware limited liability company ("New Borrower"), and ONSALE HOLDINGS, INC., an Illinois corporation ("Holdings"), jointly and severally as co-borrowers (each a "Borrower" and collectively "Borrowers"), WELLS FARGO CAPITAL FINANCE, LLC, a Delaware limited liability company, as administrative and collateral agent for the Lenders (in such capacity, "Agent") and the Lenders signatory hereto.

RECITALS

A. Agent and the several financial institutions from time to time party to thereto as lenders ("Lenders") and Borrowers (other than New Borrower) have previously entered into that certain Third Amended and Restated Loan and Security Agreement dated as of March 22, 2013 (as amended, modified, supplemented, extended or restated from time to time, the "Loan Agreement"), pursuant to which Agent and Lenders have made certain loans and financial accommodations available to Borrowers. Terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement.

B. Borrowers have requested that Agent and the Lenders amend the Loan Agreement, which Agent and the Lenders are willing to do pursuant to the terms and conditions set forth herein.

C. Borrowers are entering into this Amendment with the understanding and agreement that, except as specifically provided herein, none of Agent's or any Lender's rights or remedies as set forth in the Loan Agreement are being waived or modified by the terms of this Amendment.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Amendments to Loan Agreement.

(a) The definitions of "Borrower" and "Borrowers" in the preamble of the Loan Agreement are hereby amended to include New Borrower in addition to the other Borrowers, and each reference to a "Borrower" in the Loan Agreement and the other Financing Agreements shall include New Borrower and the other Borrowers.

(b) The definition of "Adjusted Eurodollar Rate" in Section 1.3 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.3 Intentionally Omitted."

(c) The following definition is hereby added to the Loan Agreement as Section 1.5(A):

"1.5(A) "Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to any Borrower or any of its Subsidiaries from time to time concerning or relating to bribery or corruption."

(d) The following definition is hereby added to the Loan Agreement as Section 1.7(A):

"1.7(A) "Applicable Margin" shall mean, on a monthly basis, the percentage points set forth below based on the "average daily amount" of Excess Availability, as determined by Agent, during the immediately preceding calendar month (such average calculated using the amount of Excess Availability as of the end of each day during the immediately preceding month):

Pricing Level	**Average Excess Availability**	**Applicable Margin relative to Eurodollar Rate Loans**	**Applicable Margin relative to Prime Rate Loans**
I	Less than $25,000,000	1.75%	0.00%
II	Greater than or equal to $25,000,000	1.50%	0.00%

; provided, however, that (i) from the date hereof until the end of the calendar month ending after the Fourth Amendment Effective Date, the Applicable Margin shall be the percentage points specified for Pricing Level II as set forth in this definition; (ii) after the occurrence and during the continuance of an Event of Default, the Applicable Margin shall be the percentage points specified for Pricing Level I as set forth in this definition; and (iii) if any borrowing base certificate delivered to Agent is subsequently determined to be incorrect in any material respect, Agent may increase the Applicable Margin retroactively to the beginning of the relevant month to the extent that such error caused the Applicable Margin to be different from the Applicable Margin that would have been in effect if the error was not made."

(e) The definition of "Availability Reserves" in Section 1.11 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.11 "Availability Reserves" shall mean, as of any date of determination, such amounts as Agent may from time to time establish and revise in its commercially reasonable discretion reducing the amount of Revolving Loans and Letter of Credit Accommodations which would otherwise be available to Borrowers under the lending formula(s) provided for herein: (a) to reflect events, conditions, contingencies or risks which, as determined by Agent in good faith, do affect either (i) the Collateral or any other property which is security for the Obligations or its value or (ii) the security interests and other rights of Agent in the Collateral (including the enforceability, perfection and priority thereof) or (b) to reflect Agent's good faith belief that any collateral report or financial information furnished by or on behalf of any Borrower or any Obligor to any Lender is or may have been incomplete, inaccurate or misleading in any material respect or (c) to reflect any state of facts which Agent determines in good faith constitutes or could constitute an Event of Default. Without limiting the generality of the foregoing, Agent (i) may establish on the date hereof and maintain throughout the term of this Agreement and throughout any renewal term an Availability Reserve for an amount equal to two (2) months (or one (1) month in the case of the warehouse in Tennessee or for any location leased for 120 days or less) of Borrowers' gross rent and other obligations as lessee for each leased premises of Borrowers which is either a warehouse location or is located in a state where a landlord may be entitled to a priority lien on Collateral to secure unpaid rent and with respect to each such property the landlord has not executed a form of waiver and consent acceptable to Agent, (ii) may establish on the date hereof and maintain throughout the term of this Agreement and throughout any renewal term an Availability Reserve for an amount equal to the greater of the Value of the Inventory subject to the security interest of any Persons who hold a security interest prior to Agent in the sale proceeds of Inventory, unless and until those Persons have released or subordinated their security interests against Borrowers in a manner satisfactory to Agent, or the sum of the Borrowers' payables and accrued payables to Apple Computer (or such other Persons), (iii) may establish on the date hereof and maintain throughout the term of this Agreement and throughout any renewal term Availability Reserves for Letter of Credit Accommodations as provided in Section 2.2(c) hereof and without duplication of Section 2.2(c), (iv) may establish and maintain throughout the term of this Agreement and any renewal term Availability Reserves for obligations, liabilities or indebtedness (contingent or otherwise) of Borrowers to Agent or any Bank Product Provider arising under or in connection with any Bank Products or as such Affiliate or Person may otherwise require in connection therewith to the extent that such obligations, liabilities or indebtedness constitute Obligations as such term is defined herein or otherwise receive the benefit of the security interest of Agent in any Collateral, and (v) may establish and maintain throughout the term of this Agreement and any renewal term an Availability Reserve in an amount determined by Agent to estimate the next monthly payment due by Borrowers on account of the earn-out payable in connection with the acquisition of En Pointe."

(f) The following definition is hereby added to the Loan Agreement as Section 1.17(A):

"1.17(A) "Borrowed Money" shall mean, with respect to any Borrower or Obligor, without duplication, its (a) indebtedness that (i) arises from the lending of money by any Person to such Borrower or Obligor (other than indebtedness permitted under Section 9.9(e)), (ii) is evidenced by notes, drafts, bonds, debentures, credit documents or similar instruments, (iii) accrues interest or is a type upon which interest charges are customarily paid (excluding floor plan financing consistent with current practice and trade payables, in each case, owing in the ordinary course of business), or (iv) was issued or assumed as full or partial payment for Property (other than indebtedness permitted under Section 9.9(f)); (b) capital leases; (c) reimbursement obligations with respect to letters of credit; and (d) guaranties of any indebtedness of the foregoing types owing by another Person."

(g) The definition of "Business Day" in Section 1.18 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.18 "Business Day" shall mean any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the State of New York or the State of California, and a day on which the Agent and each Lender are open for the transaction of business, except that if a determination of a Business Day shall relate to any Eurodollar Rate Loans, the term Business Day shall also exclude any day on which banks are closed for dealings in dollar deposits in the London interbank market or other applicable Eurodollar Rate market."

(h) The definition of "Capital Expenditures" in Section 1.19 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.19 "Capital Expenditures" means, with respect to any Person for any period, the aggregate of all expenditures by such Person and its subsidiaries during such period that are capital expenditures as determined in accordance with GAAP, whether such expenditures are paid in cash or financed; provided, however, that Capital Expenditures for any Borrower shall not include the following:

(a) expenditures of proceeds of insurance settlements, condemnation awards and other settlements in respect of lost, destroyed, damaged or condemned assets, equipment or other property to the extent such expenditures are made to replace or repair such lost, destroyed, damaged or condemned assets, equipment or other property or otherwise to acquire, maintain, develop, construct, improve, upgrade or repair assets or properties useful in the business of any Borrower;

(b) unfinanced expenditures (including the purchase price of equipment and building improvements) incurred prior to June 30, 2012 relating to the property located at 1940 E. Mariposa Avenue, El Segundo, CA, in an aggregate amount not to exceed $3,500,000;

(c) unfinanced expenditures (including the purchase price of equipment and building improvements) relating to the properties listed on Schedule 9.10 in an aggregate amount not to exceed $2,000,000 in any twelve-month period or $4,000,000 in the aggregate for all such properties;

(d) unfinanced expenditures (including the purchase price of equipment and building improvements) incurred during the fiscal year ending December 31, 2014 relating to the ERP upgrade and the New Albany data center build out;

(e) expenditures that are accounted for as capital expenditures of such person and that actually are paid for by a third party (excluding any Borrower) and for which no Borrower has provided or is required to provide or incur, directly or indirectly, any consideration or obligation to such third party or any other person (whether before, during or after such period);

(f) the book value of any asset owned by such person prior to or during such period to the extent that such book value is included as a capital expenditure during such period as a result of such person reusing or beginning to reuse such asset during such period without a corresponding expenditure actually having been made in such period; provided that (i) any expenditure necessary in order to permit such asset to be reused shall be included as a Capital Expenditure during the period that such expenditure actually is made and (ii) such book value shall have been included in Capital Expenditures when such asset was originally acquired;

(g) the purchase price of equipment purchased during such period to the extent the consideration therefor consists of any combination of (i) used or surplus equipment traded in at the time of such purchase and (ii) the proceeds of a concurrent sale of used or surplus equipment, in each case, in the ordinary course of business;

(h) expenditures to the extent they are financed with the proceeds of a disposition of used, obsolete, worn out or surplus equipment or property in the ordinary course of business;

(i) any expenditure made solely with the proceeds of an issuance of equity interests of a Borrower after the date hereof;

(j) the purchase price of real estate acquisitions and investments permitted under this Agreement (including the committed financed portion of the purchase price for the properties listed on Schedule 9.10), together with any acquisition costs and transaction costs incurred in connection with such acquisitions and investments, and expenditures (including the purchase price of equipment and building improvements) relating to such real estate, in each case, solely to the extent made utilizing financing provided by the applicable seller or third party lender(s);

(k) the purchase price of real estate acquisitions and investments permitted under this Agreement, together with any acquisition costs and transaction costs incurred in connection with such acquisitions and investments, and expenditures (including the purchase price of equipment and building improvements) relating to such real estate, in each case, solely to the extent made from identifiable net proceeds of the sale or refinance of the Real Estate within 180 days of receipt by Borrowers of the net proceeds thereof; and

(l) unfinanced expenditures (including the purchase price of equipment and building improvements) incurred during the fiscal year ending December 31, 2015 relating to the ERP upgrade in an aggregate amount not to exceed $4,000,000."

(i) The definition of "Commitment" in Section 1.23 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.23 "Commitment" shall mean, as to any Lender, the Revolving Loan Commitment of such Lender."

(j) The following definition is hereby added to the Loan Agreement as Section 1.23(A):

1.23(A) "Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute."

(k) The following definition is hereby added to the Loan Agreement as Section 1.31(A):

"1.31(A) "Eligible Adjacent Real Estate" shall mean the Adjacent Real Estate, so long as it is acceptable to Agent in its Permitted Discretion based on the criteria set forth below. In general, the Adjacent Real Estate shall not be Eligible Adjacent Real Estate unless: (a) it is owned by a Borrower; (b) Agent has received an appraisal report in form, scope and substance satisfactory to Agent and by an appraiser acceptable to Agent; (c) Agent is satisfied that all actions necessary or desirable in order to create a perfected first priority lien on such real property have been taken, including, the filing and recording of a deed of trust in form and substance satisfactory to Agent; (d) Agent shall have received an environmental assessment report, in form and substance satisfactory to Agent, with respect to such real property, the results of which are satisfactory to Agent;

(e) such real property is adequately protected by fully-paid valid title insurance with endorsements and in amounts acceptable to Agent, insuring that Agent, for the benefit of the Lenders, shall have a perfected first priority lien on such real property, evidence of which shall have been provided in form and substance satisfactory to Agent; and (f) Agent shall have received a letter of opinion with respect to the enforceability and perfection of the deed of trust and any related fixture filings with respect to such real property, in form and substance satisfactory to Agent."

(l) The following definition is hereby added to the Loan Agreement as Section 1.31(B):

"1.31(B) "Eligible Adjacent Real Estate Sublimit" means $1,827,000; provided, however, that beginning on May 1, 2015, and on the first day of each calendar month thereafter, the Eligible Adjacent Real Estate Sublimit shall be reduced by $21,750."

(m) The definition of "Eligible Inventory" in Section 1.32 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.32 "Eligible Inventory" shall mean Inventory consisting of finished goods held for resale in the ordinary course of the business of Borrowers which are located at Borrowers' warehouse location(s) or retail store(s) and which are acceptable to Agent in its Permitted Discretion based on the criteria set forth below. In general, Eligible Inventory shall not include (a) raw materials or work-in-process; (b) components which are not part of finished goods; (c) spare parts for equipment (it being understood that parts held for sale in their then current condition shall not be deemed spare parts for these purposes); (d) packaging and shipping materials; (e) supplies and fixed assets used or consumed in Borrowers' business; (f) Inventory at premises other than those owned or controlled by Borrowers, except if Agent shall have received an agreement in writing from the person in possession of such Inventory in form and substance satisfactory to Agent acknowledging Agent's priority security interest in the Inventory, waiving security interests and claims by such person against the Inventory and permitting Agent access to, and the right to remain on, the premises so as to exercise Agent's rights and remedies and otherwise deal with the Collateral; (g) Inventory in transit, unless such Inventory is (A) provided by Apple Computer and not subject to the reclamation rights of Apple Computer under Section 2.2(a) of the Apple Intercreditor Agreement or (B) in transit to one of Borrowers' retail stores or warehouse locations under a Letter of Credit Accommodation hereunder, and the bill of lading covering such Inventory names Agent as consignee and otherwise contains terms acceptable to Agent, and all originals of such bill of lading are in the possession of Agent or another bailee acceptable to Agent; (h) Inventory subject to a security interest or lien in favor of any person other than Agent except those permitted in this Agreement; (i) bill and hold goods; (j) unserviceable or obsolete Inventory; (k) Inventory which is not subject to the valid and perfected security interest of Agent, for itself and the ratable benefit of Secured Parties;

(l) returned (except for closed box returns), damaged and/or defective Inventory; (m) Inventory purchased or sold on consignment; (n) Inventory located at service centers; (o) software, books, magazines, manuals, videos and similar Inventory; (p) Inventory purchased under a Letter of Credit Accommodation that is outstanding as contemplated in Section 2.2(c)(i) hereof; and (q) Inventory subject to the perfected security interest of IBM Credit Corporation or Hewlett-Packard Company; provided that, notwithstanding the foregoing, such Inventory subject to the perfected security interest of Hewlett-Packard Company may, if otherwise eligible pursuant to the terms hereof, constitute Eligible Inventory to the extent the Value of such Inventory exceeds the then existing accounts payable from Borrowers to Hewlett-Packard Company and its Affiliates. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral."

(n) The definition of "Eligible Real Estate" in Section 1.33 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.33 "Eligible Real Estate" shall mean the Real Estate, so long as it is acceptable to Agent in its Permitted Discretion based on the criteria set forth below. In general, the Real Estate shall not be Eligible Real Estate unless: (a) it is owned by a Borrower; (b) Agent has received an appraisal report in form, scope and substance satisfactory to Agent and by an appraiser acceptable to Agent; (c) Agent is satisfied that all actions necessary or desirable in order to create a perfected first priority lien on such real property have been taken, including, the filing and recording of a deed of trust in form and substance satisfactory to Agent; (d) Agent shall have received an environmental assessment report, in form and substance satisfactory to Agent, with respect to such real property, the results of which are satisfactory to Agent; (e) such real property is adequately protected by fully-paid valid title insurance with endorsements and in amounts acceptable to Agent, insuring that Agent, for the benefit of the Lenders, shall have a perfected first priority lien on such real property, evidence of which shall have been provided in form and substance satisfactory to Agent; and (f) Agent shall have received a letter of opinion with respect to the enforceability and perfection of the deed of trust and any related fixture filings with respect to such real property, in form and substance satisfactory to Agent."

(o) The definition of "Eligible Real Estate Sublimit" in Section 1.34 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.34 "Eligible Real Estate Sublimit" means $10,885,000; provided, however, that beginning on May 1, 2015, and on the first day of each calendar month thereafter, the Eligible Real Estate Sublimit shall be reduced by $129,583.33."

(p) The following definition is hereby added to the Loan Agreement as Section 1.35(A):

"1.35(A) "En Pointe" shall mean Collab9, Inc., a Delaware corporation (formerly known as En Pointe Technologies Sales, Inc.)."

(q) The definition of "Eurodollar Rate" in Section 1.40 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.40 "Eurodollar Rate" means, for any day, the rate per annum for United States dollar deposits determined by Agent for the purpose of calculating the effective Interest Rate for loans that reference the Eurodollar Rate as the rate per annum as reported on Reuters Screen LIBOR01 page (or any successor page) in effect from time to time for the one month delivery of funds in amounts approximately equal to the principal amount of such loans (and, if any such rate is below zero, the Eurodollar Rate shall be deemed to be zero). Borrowers understand and agree that Agent may base its determination of such rate upon such offers or other market indicators of such rate as Agent in its discretion deems appropriate. When interest is determined in relation to the Eurodollar Rate, each change in the interest rate shall become effective each Business Day that Agent determines that the Eurodollar Rate has changed."

(r) The definition of "Eurodollar Rate Loans" in Section 1.41 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.41 "Eurodollar Rate Loans" shall mean any Loans or portion thereof on which interest is payable based on the Eurodollar Rate in accordance with the terms hereof."

(s) The definition of "Eurodollar Rate Margin" in Section 1.42 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.42 Intentionally Omitted."

(t) The definition of "Excess Availability" in Section 1.44 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.44 "Excess Availability" shall mean the amount, as determined by Agent, calculated at any time, equal to:

(a) the lesser of (i) the amount of the Revolving Loans available to Borrowers as of such time (based on the applicable advance rates set forth in Section 2.1(a) hereof), subject to the sublimits and Availability Reserves from time to time established by Agent hereunder and (ii) the Maximum Credit, minus

(b) the amount of all then outstanding and unpaid Obligations.

provided, however, that: solely for the purposes of determining (A) the Applicable Margin, to the extent the amount set forth in clause (a)(i) above exceeds the amount set forth in clause (a)(ii) above at any time, the Excess Availability as of such time shall be increased by up to Ten Million Dollars ($10,000,000) of the difference between those two (2) amounts; and (B) whether a FCCR Triggering Event has occurred (other than under clause (c) of the definition thereof), to the extent the amount set forth in clause (a)(i) above exceeds the amount set forth in clause (a)(ii) above at any time, the Excess Availability as of such time shall be increased by the difference between those two (2) amounts."

(u) The following definition is hereby added to the Loan Agreement as Section 1.45(A):

"1.45(A) "Excluded Swap Obligation" means, with respect to any Obligor, any Swap Obligation if, and to the extent that, all or a portion of the guaranty of such Obligor of, or the grant by such Obligor of a security interest to secure, such Swap Obligation (or any guaranty thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of such Obligor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty of such Obligor or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or security interest is or becomes illegal."

(v) The definition of "FCCR Triggering Event" in Section 1.48 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.48 "FCCR Triggering Event" shall mean, as of any date of determination, either (a) Excess Availability is less than $10,000,000 as of such date, (b) Average 30 Day Excess Availability is less than $18,750,000 as of such date, or (c) Excess Availability (without giving effect to the proviso contained in the definition thereof) is less than $7,500,000 for a period of five consecutive days ending on such date of determination."

(w) The definition of "Final Maturity Date" in Section 1.50 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.50 "Final Maturity Date" shall mean September 30, 2018."

(x) The definition of "Fixed Charges" in Section 1.52 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.52 "Fixed Charges" shall mean, with respect to any fiscal period and with respect to Borrowers and their subsidiaries determined on a consolidated basis in accordance with GAAP, the sum, without duplication, of (a) cash paid during such period with respect to Interest Expense, (b) principal payments in respect of Borrowed Money that are required to be paid during such period, and (c) cash paid during such period with respect to federal, state, and local income taxes."

(y) The following definition is hereby added to the Loan Agreement as Section 1.53(A):

“1.53(A) “Fourth Amendment” means that certain Fourth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of the Fourth Amendment Effective Date, by and among Borrowers, Agent, and the Lenders.”

(z) The following definition is hereby added to the Loan Agreement as Section 1.53(B):

“1.53(B) “Fourth Amendment Effective Date” means April 7, 2015.”

(aa) The definition of “Interest Period” in Section 1.62 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.62 Intentionally Omitted.”

(bb) The following definition is hereby added to the Loan Agreement as Section 1.62(A):

“1.62(A) “Interest Rate” means an interest rate equal to: (a) with respect to Eurodollar Rate Loans, the Eurodollar Rate, (b) with respect to Prime Rate Loans, the Prime Rate, and (c) with respect to Special Agent Advances and all other Obligations other than Loans, the Prime Rate.”

(cc) The definition of “Inventory Sublimit” in Section 1.65 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.65 “Inventory Sublimit” shall mean an amount equal to Seventy Million Dollars ($70,000,000).”

(dd) The definition of “Loans” in Section 1.68 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.68 “Loans” shall mean the Revolving Loans.”

(ee) The definition of “Maximum Credit” in Section 1.69 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.69 “Maximum Credit” shall mean, with reference to the Revolving Loans and the Letter of Credit Accommodations, the amount of Two Hundred Fifty Million Dollars ($250,000,000), as such amount may be increased in accordance with Section 2.5 hereof.”

(ff) The definition of “Obligations” in Section 1.73 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.73 “Obligations” shall mean (a) any and all Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers to Agent or any

Lender or any issuer of a Letter of Credit Accommodation, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or any of the other Financing Agreements or on account of any Letter of Credit Accommodations, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to such Borrower under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement of such case, whether or not such amounts are allowed or allowable in whole or in part in such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, or secured or unsecured and (b) for purposes only of Sections 5, 11.5, 12.11(b), and 13.1 hereof and subject to the priority in right of payment set forth in Section 6.4 hereof, all obligations, liabilities and indebtedness of every kind, nature and description owing by any or all of Borrowers to Agent or any Bank Product Provider arising under or pursuant to any Bank Products, whether now existing or hereafter arising, provided, that, (i) the applicable Bank Product must have been provided on or after the date hereof and Agent shall have received a Bank Product Provider Letter Agreement within 10 days after the date of the provision of the applicable Bank Product to the applicable Borrower and (ii) in no event shall any Bank Product Provider acting in such capacity to whom such obligations, liabilities or indebtedness are owing be deemed a Lender for purposes hereof to the extent of and as to such obligations, liabilities or indebtedness except that each reference to the term "Lender" in Sections 12.1, 12.2, 12.3(b), 12.6, 12.7, 12.9, 12.12 and 13.6 hereof shall be deemed to include such Bank Product Provider and in no event shall the approval of any such person in its capacity as Bank Product Provider be required in connection with the release or termination of any security interest or lien of Agent; *provided that*, anything to the contrary contained in the foregoing notwithstanding, the Obligations shall exclude any Excluded Swap Obligation."

(gg) The definition of "Prime Rate" in Section 1.82 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.82 "Prime Rate" shall mean, at any time, the rate of interest most recently announced by Agent at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Agent's base rates, and serves as the basis upon which effective rates of interest are calculated for those loans making reference to it, and is evidenced by its recording in such internal publication or publications as Agent may designate. Each change in the rate of interest shall become effective on the date each Prime Rate change is announced by Agent."

(hh) The definition of "Prime Rate Loans" in Section 1.83 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.83 "<u>Prime Rate Loans</u>" shall mean any Loans or portion thereof on which interest is payable based on the Prime Rate in accordance with the terms hereof."

(ii) The definition of "Prime Rate Margin" in Section 1.84 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.84 Intentionally Omitted."

(jj) The definition of "Pro Rata Share" in Section 1.85 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.85 "<u>Pro Rata Share</u>" shall mean:

(a) with respect to a Revolving Loan Lender's obligation to make Revolving Loans and receive payments relative thereto, the fraction (expressed as a percentage) the numerator of which is such Lender's Revolving Loan Commitment and the denominator of which is the aggregate amount of all of the Revolving Loan Commitments of Revolving Loan Lenders, as adjusted from time to time in accordance with the provisions of Section 13.5 hereof; <u>provided</u>, <u>that</u>, if the Revolving Loan Commitments have been terminated, the numerator shall be the unpaid amount of such Lender's Revolving Loans and its interest in the Letter of Credit Accommodations and the denominator shall be the aggregate amount of all unpaid Revolving Loans and Letter of Credit Accommodations; and

(b) with respect to all other matters (including the indemnification obligations arising under Section 12.5 hereof), (i) prior to the Revolving Loan Commitments being terminated, the fraction (expressed as a percentage) the numerator of which is such Lender's Revolving Loan Commitment, and the denominator of which is the aggregate amount of Revolving Loan Commitments of all Lenders, and (ii) from and after the time that the Revolving Loan Commitments have been terminated or reduced to zero, the fraction (expressed as a percentage) the numerator of which is the sum of such Lender's Revolving Loans and its interest in the Letter of Credit Accommodations, and the denominator of which is the aggregate amount of all unpaid Revolving Loans and Letter of Credit Accommodations."

(kk) The following definition is hereby added to the Loan Agreement as Section 1.87(A):

"1.87(A) "<u>Qualified ECP Guarantor</u>" means, in respect of any Swap Obligation, each guarantor of, or grantor of a security interest to secure, the Obligations that has total assets exceeding $10,000,000 at the time the relevant guaranty, keepwell, or grant of the relevant security interest becomes effective with respect to such Swap Obligation or such other person as constitutes an "eligible contract participant" under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act."

(ll) The definition of “Reference Bank” in Section 1.90 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.90 Intentionally Omitted.”

(mm) The definition of “Revolving Loan Commitment” in Section 1.95 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

“1.95 “Revolving Loan Commitment” shall mean, at any time, as to each Revolving Loan Lender, the principal amount set forth below such Lender’s signature on the signature pages to the Fourth Amendment designated as the Revolving Loan Commitment or on Schedule 1 to the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 13.5 hereof, as the same may be adjusted from time to time in accordance with the terms hereof; sometimes being collectively referred to herein as “Revolving Loan Commitments”.”

(nn) The following definition is hereby added to the Loan Agreement as Section 1.97(A):

“1.97(A) “Sanctioned Country” means, at any time, a country, region or territory which is itself the subject or target of any Sanctions (at the time of the Fourth Amendment Effective Date, Crimea, Cuba, Iran, North Korea, Sudan and Syria).”

(oo) The following definition is hereby added to the Loan Agreement as Section 1.97(B):

“1.97(B) “Sanctioned Person” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any such Person or Persons described in the foregoing clauses (a) or (b).”

(pp) The following definition is hereby added to the Loan Agreement as Section 1.97(C):

“1.97(C) “Sanctions” means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.”

(qq) The following definition is hereby added to the Loan Agreement as Section 1.103(A):

“1.103(A) “Swap Obligation” means, with respect to any Borrower or Obligor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a “swap” within the meaning of section 1a(47) of the Commodity Exchange Act.”

(rr) The definition of "Term Loan Commitment" in Section 1.105 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.105 Intentionally Omitted."

(ss) The definition of "Term Loan Lenders" in Section 1.106 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.106 Intentionally Omitted."

(tt) The definition of "Term Loans" in Section 1.107 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.107 Intentionally Omitted."

(uu) The definition of "Term Notes" in Section 1.108 of the Loan Agreement is hereby amended and restated to read in its entirety as follows:

"1.108 Intentionally Omitted."

(vv) Section 2.1(a) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"2.1 Revolving Loans.

(a) Subject to, and upon the terms and conditions contained herein, each Revolving Loan Lender severally (and not jointly) agrees to fund its Pro Rata Share of Revolving Loans to Borrowers from time to time in amounts requested by Borrowers up to the amount equal to:

(i) ninety percent (90%) of the Net Amount of Eligible Accounts, provided, that, such percentage advance rate shall be reduced by the positive difference, rounded to the nearest tenth of a percent, between (I) the dilution rate on the Accounts, as determined by Agent in good faith based on the ratio of (A) the aggregate amount of reductions in Accounts other than as a result of payments in cash, to (B) the aggregate amount of total sales, and (II) three and one-half of one percent (3.5%), and provided further, that, the total sum available under this Section 2.1(a)(i) based upon Credit Card/Check Processing Receivables shall not exceed Fifteen Million Dollars ($15,000,000) at any time; and provided further that, if Borrowers provide reports on such Credit Card/Check Processing Receivables under Section 7.1 on a daily basis, the total sum under this Section 2.1(a)(i) based upon Credit Card/Check Processing Receivables shall not exceed Twenty Million Dollars ($20,000,000) at any time; plus

(ii) the lesser of:

(A) the sum of (1) sixty percent (60%) of the Value of Eligible Inventory not consisting of office supplies (held for sale by Borrowers), refurbished Inventory, Slow Moving Inventory, or the Inventory described in clause (3) immediately below, not to exceed eighty-five percent (85%) of the Appraised Liquidation Value of such Eligible Inventory, plus (2) the lesser of Two Million Five Hundred Thousand Dollars ($2,500,000) or forty percent (40%) of the Value of Eligible Inventory consisting of office supplies (held for sale by Borrowers), refurbished Inventory or Slow Moving Inventory and not consisting of the Inventory described in clause (3) immediately below, not to exceed eighty-five percent (85%) of the Appraised Liquidation Value of such Eligible Inventory, plus (3) the sum of: (x) eighty percent (80%) of the Value of Eligible Inventory that is in its original closed box, that has been held by Borrowers no more than one hundred twenty (120) days, and for which Apple Computer, upon its repossession thereof, is committed to pay to Agent the sum of the purchase prices thereof, net of certain rebates and other allowances, pursuant to the terms and provisions of the Apple Intercreditor Agreement, plus (y) the lesser of (I) the Specified Apple Inventory Sublimit, and (II) sixty-five percent (65%) of the Value of Eligible Inventory consisting of Specified Apple Inventory that is in its original closed box and that has been held by Borrowers more than one hundred twenty (120) days, but less than two hundred forty-one (241) days; provided, that, the total sum available under this Section 2.1(a)(ii)(A) based upon Eligible Inventory that is in transit from Apple Computer to Borrowers shall not exceed Two Million Dollars ($2,000,000) at any time, unless Borrowers have provided Agent with a current borrowing base certificate (separately identifying such in-transit Eligible Inventory and with such supporting documentation acceptable to Agent and Borrowers as Agent may reasonably request), which certificates shall be in form reasonably satisfactory to Agent, in which case, for a period of five (5) Business Days after Lender's receipt and satisfactory review of such certificates, the total sum available hereunder based upon such in-transit Eligible Inventory shall not exceed Fifteen Million Dollars ($15,000,000); or

(B) the Inventory Sublimit; plus

(iii) the lesser of:

(A) an amount equal to seventy percent (70%) of the "Fair Market Value" of the Eligible Real Estate as set forth in any appraisal of the Real Estate received by Agent; or

(B) the Eligible Real Estate Sublimit; plus

(iv) the lesser of:

(A) an amount equal to seventy percent (70%) of the "Fair Market Value" of the Eligible Adjacent Real Estate as set forth in any appraisal of the Adjacent Real Estate received by Agent; or

(B) the Eligible Adjacent Real Estate Sublimit; minus

(v) the then undrawn amounts of outstanding Letter of Credit Accommodations, multiplied by the applicable percentages as provided for in Section 2.2(c)(i) or Section 2.2(c)(ii) hereof; minus

(vi) any Availability Reserves."

(ww) Section 2.1(b)(ii) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(ii) the nature and quality of the Inventory has deteriorated in any material respect. In determining whether to reduce the lending formula(s), Agent may consider events, conditions, contingencies or risks which are also considered in determining Eligible Accounts, Eligible Inventory, Eligible Real Estate, Eligible Adjacent Real Estate, or in establishing Availability Reserves."

(xx) Section 2.2(b) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(b) In addition to any charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations, Borrowers shall pay to Agent for the benefit of Revolving Loan Lenders, a letter of credit fee at a per annum rate equal to the Applicable Margin relative to Eurodollar Rate Loans on the daily outstanding balance of the Letter of Credit Accommodations for the immediately preceding month (or part thereof), payable in arrears as of the first day of each succeeding month. Notwithstanding the foregoing, such letter of credit fee shall be increased, at Agent's option without notice, to two percent (2.00%) per annum above the then applicable rate upon the occurrence and during the continuation of an Event of Default, and for the period on or after the date of termination or non-renewal of this Agreement. Such letter of credit fee shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed and the obligation of Borrowers to pay such fee shall survive the termination or non-renewal of this Agreement."

(yy) Section 2.2(e) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(e) Except in Agent's discretion, with the consent of all Lenders, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Agent or any Lender in connection therewith shall not at any time exceed Fifty Million Dollars ($50,000,000). At any time an Event of Default exists or has occurred and is continuing, upon Agent's request, Borrowers will either furnish cash collateral to secure the reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Agent for the Letter of Credit Accommodations, and in either case, the Revolving Loans otherwise available to Borrowers shall not be reduced as provided in Section 2.2(c) to the extent of such cash collateral."

(zz) Section 2.3 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"2.3 [Reserved]."

(aaa) Section 2.4 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"2.4 Commitments. The aggregate amount of each Revolving Loan Lender's Pro Rata Share of the Revolving Loans and Letter of Credit Accommodations shall not exceed the amount of such Lender's Revolving Loan Commitment, as the same may from time to time be amended with the written acknowledgment of Agent and such Revolving Loan Lender."

(bbb) Section 2.5(a) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(a) The Maximum Credit may be increased after the Fourth Amendment Effective Date (the increase that satisfies the terms and conditions of this Section, the "Approved Increase") by an amount equal to $25,000,000 at the option of Borrowers by delivery of a written notice from Borrowers of the proposed increase to Agent if and only if (i) each of the conditions precedent set forth in Section 4.2 are satisfied as of the Increase Effective Date (as if Borrowers were requesting an extension of credit hereunder), (ii) Lenders or other Persons commit to increase or provide Commitments in an aggregate amount equal to the Approved Increase in accordance with Section 2.5(c), and (iii) Borrowers shall have (A) reached agreement with the prospective new Lenders (the "Prospective Lenders") with respect to the amount of any supplemental closing fee to be paid to such Prospective Lenders on the Increase Effective Date and shall have communicated the amount of such supplemental closing fee to Agent (which closing fee shall not exceed 0.65%), and (B) paid any fees described in clause (A) above to Agent for the account of the Prospective Lenders and Agent, as applicable. The notice shall specify the date on which the proposed increase is to be effective (the "Increase Effective Date"), which date shall not be less than 10 Business Days after the date of such notice."

(ccc) Section 2.5(d) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(d) To the extent any Revolving Loans or Letter of Credit Accommodations are outstanding on the Increase Effective Date, each of the Lenders having a Commitment prior to the Increase Effective Date (the "Pre-Increase Revolver Lenders") shall assign to any Lender which is acquiring a new or additional Commitment on the Increase Effective Date (the "Post-Increase Revolver Lenders"), and such Post-Increase Revolver Lenders shall purchase from each Pre-Increase Revolver Lender, at the principal amount thereof, such interests in the Revolving Loans and participation interests in Letter of Credit

Accommodations on the Increase Effective Date as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans and participation interests in Letter of Credit Accommodations will be held by Pre-Increase Revolver Lenders and Post-Increase Revolver Lenders ratably in accordance with their Pro Rata Share (calculated under clause (b) of the definition of Pro Rata Share) after giving effect to such increased Commitments."

(ddd) Section 2.6 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"2.6 Real Estate and Adjacent Real Estate.

(a) Notwithstanding anything to the contrary contained herein, the Real Estate may be sold or refinanced and Agent shall release its liens against the Real Estate in connection with the sale or refinance thereof, provided, that, (i) no Default or Event of Default has occurred and is continuing at the time of such sale or refinance, or would result therefrom and (ii) the proceeds of such sale or refinance are no less than the Eligible Real Estate Sublimit and the proceeds of such sale or refinance in an amount no less than the Eligible Real Estate Sublimit are remitted to Agent for application to the Obligations in accordance with Section 6.4. Upon any refinance of the Real Estate in accordance with the foregoing, any indebtedness secured solely by the Real Estate and any lien against the Real Estate securing such indebtedness will be permitted for the purposes of Sections 9.8 and 9.9 hereof.

(b) Notwithstanding anything to the contrary contained herein, the Adjacent Real Estate may be sold or refinanced and Agent shall release its liens against the Adjacent Real Estate in connection with the sale or refinance thereof, provided, that, (i) no Default or Event of Default has occurred and is continuing at the time of such sale or refinance, or would result therefrom and (ii) the proceeds of such sale or refinance are no less than the Eligible Adjacent Real Estate Sublimit and the proceeds of such sale or refinance in an amount no less than the Eligible Adjacent Real Estate Sublimit are remitted to Agent for application to the Obligations in accordance with Section 6.4. Upon any refinance of the Adjacent Real Estate in accordance with the foregoing, any indebtedness secured solely by the Adjacent Real Estate and any lien against the Adjacent Real Estate securing such indebtedness will be permitted for the purposes of Sections 9.8 and 9.9 hereof."

(eee) Section 3.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"3.1 Interest.

(a) Except as provided in Sections 3.1(e) below, Borrowers shall pay to Agent, for the benefit of Lenders, interest on the outstanding principal amount of the non-contingent Obligations at a per annum rate equal to the Interest Rate plus the Applicable Margin. Subject to Section 3.6, all Revolving Loans shall be deemed Eurodollar Rate Loans.

(b) Intentionally Omitted.

(c) Intentionally Omitted.

(d) Intentionally Omitted.

(e) Notwithstanding the foregoing, Borrowers shall pay to Agent, for the benefit of Lenders, interest, at Agent's option, with notice to Borrowers, at a rate two (2.0%) percent per annum greater than the applicable rate(s) chargeable above on the non-contingent Obligations for the period from and after the date of termination or non-renewal hereof, or the date of the occurrence of an Event of Default, and for so long as such Event of Default is continuing as determined by Agent and until such time as Agent has received full and final payment of all such Obligations (notwithstanding entry of any judgment against Borrowers). All interest accruing hereunder on and after the occurrence of any of the events referred to in this Section 3.1(e) shall be payable on demand.

(f) Interest shall be payable by Borrowers to Agent, for the benefit of Lenders, monthly in arrears not later than the first day of each calendar month and shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed."

(fff) Section 3.3 of the Loan Agreement is hereby amended by deleting the text "clause (c)" therein and replacing it with the text "clause (b)".

(ggg) Section 3.4 of the Loan Agreement is hereby amended by deleting the text "clause (c)" therein, and replacing it with the text "clause (b)".

(hhh) Section 3.6 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"3.6 Changes in Laws and Increased Costs of Loans. In the event that (a) any change in market conditions or any law, regulation, treaty, or directive, or any change therein or in the interpretation or application thereof make it unlawful or impractical for Agent or any Lender to fund or maintain extensions of credit with interest based upon the Eurodollar Rate or to continue such funding or maintaining, or to determine or charge interest rates based upon the Eurodollar Rate, (b) Agent or any Lender determines that by reasons affecting the London Interbank Eurodollar market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate, or (c) Agent or any Lender determines that the interest rate based on the Eurodollar Rate will not adequately and fairly reflect the cost to Agent or such Lender of maintaining or funding Loans at the interest rate based upon the Eurodollar Rate, the applicable Lender shall give notice of such changed circumstances to Agent and Agent shall give notice of such changed circumstances to Borrowers and (i) interest on the principal amount of such extensions of credit thereafter shall accrue interest at a rate equal to the Prime Rate plus the Applicable Margin, and (ii) Borrowers shall not be entitled to elect the Eurodollar Rate until Agent and the Lenders determine that it would no longer be unlawful or impractical to do so or that such increased costs would no longer be applicable."

(iii) Section 3.7 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"3.7 Mitigation Obligations; Replacement of Lenders. If any Lender requests compensation under Section 3.5 (any such Lender, an "Affected Lender"), then such Affected Lender shall use reasonable efforts to promptly designate a different one of its lending offices or to assign its rights and obligations hereunder to another of its offices or branches, if (i) in the reasonable judgment of such Affected Lender, such designation or assignment would eliminate or reduce amounts payable pursuant to Section 3.5 and (ii) in the reasonable judgment of such Affected Lender, such designation or assignment would not subject it to any material unreimbursed cost or expense and would not otherwise be materially disadvantageous to it. The Borrowers agree to pay all reasonable out-of-pocket costs and expenses incurred by such Affected Lender in connection with any such designation or assignment. If, after such reasonable efforts, such Affected Lender does not so designate a different one of its lending offices or assign its rights to another of its offices or branches so as to eliminate Borrowers' obligation to pay any future amounts to such Affected Lender pursuant to Section 3.5, then the Borrowers (without prejudice to any amounts then due to such Affected Lender under Section 3.5) may, unless prior to the effective date of any such assignment the Affected Lender withdraws its request for such additional amounts under Section 3.5, seek a substitute Lender reasonably acceptable to Agent to purchase the Obligations owed to such Affected Lender and such Affected Lender's Commitments hereunder (a "Replacement Lender"), and if such Replacement Lender agrees to such purchase, such Affected Lender shall assign to the Replacement Lender its Obligations and Commitments, pursuant to an Assignment and Acceptance, and upon such purchase by the Replacement Lender, such Replacement Lender shall be deemed to be a "Lender" for purposes of this Agreement and such Affected Lender shall cease to be a "Lender" for purposes of this Agreement."

(jjj) A new Section 3.8 is added to the Loan Agreement to read in its entirety as follows:

"3.8 Anti-Corruption Laws and Sanctions. The Borrowers have implemented and maintain in effect policies and procedures designed to ensure compliance by the Borrowers, their respective Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Borrowers, their respective Subsidiaries and their respective officers and employees and to the knowledge of the Borrowers their respective directors and agents, are in compliance with Anti-Corruption Laws and applicable

Sanctions in all material respects. None of (a) any Borrower, any Subsidiary or, to the knowledge of such Borrower or such Subsidiary, any of their respective directors, officers or employees, or (b) to the knowledge of any Borrower, any agent of the Borrower or any Subsidiary that will act in any capacity in connection with or benefit from the credit facility established hereby, is a Sanctioned Person. No Loan or Letter of Credit Accommodation, use of proceeds or other transaction contemplated by this Agreement will violate any Anti-Corruption Law or applicable Sanctions."

(kkk) Section 5.7 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"5.7 the Real Estate and the Adjacent Real Estate; and"

(lll) Section 6.4 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"6.4 Payments. All Obligations shall be payable to the Payment Account as provided in Section 6.3 of this Agreement or such other place as Agent may designate from time to time. Subject to the other terms and conditions contained herein, Agent shall apply payments received or collected from any Borrower or for the account of any Borrower (including the monetary proceeds of collections or of realization upon any Collateral) as follows: first, to pay any fees, indemnities or expense reimbursements then due to Agent and Lenders from any Borrower; second, to pay interest due in respect of any Loans (and including any Special Agent Advances) or Letter of Credit Accommodations; third, to pay or prepay principal in respect of Special Agent Advances; fourth, to pay principal due in respect of the Loans, on a pro rata basis; fifth, at any time an Event of Default exists or has occurred and is continuing, to provide cash collateral for any Letter of Credit Accommodations; sixth, ratably, up to the amount of the most recently established Availability Reserve established pursuant to clause (iv) of the definition of "Availability Reserve" (and not exceeding the amounts agreed with respect thereto pursuant to the applicable Bank Product Provider Letter Agreement), to pay or prepay any Obligations arising under or pursuant to any Bank Products based upon amounts then certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent) to be due and payable to such Bank Product Providers on account of Bank Products; seventh, to pay or prepay any other Obligations whether or not then due, in such order and manner as Agent determines and at any time an Event of Default exists or has occurred and is continuing, to provide cash collateral for any contingent Obligations (but not including for this purpose any Obligations arising under or pursuant to any Bank Products); and eighth, to pay or prepay any Obligations arising under or pursuant to any Bank Products and at any time an Event of Default exists or has occurred and is continuing, to provide cash collateral for any contingent Obligations arising under or pursuant to any Bank Products (based upon amounts then certified by the applicable Bank Product Provider to Agent (in form and substance satisfactory to Agent)); provided, that, so long as no Event of

Default has occurred and is continuing, proceeds generated in the ordinary course of Borrowers' business on Accounts or Inventory will not be applied to any principal amount not yet due and payable on contingent Obligations. At Agent's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Financing Agreements may be charged directly to the loan account(s) of Borrowers. Borrowers shall make all payments to Agents and the Lenders on the Obligations free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Agent or any Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by such Person. Borrowers shall be liable to pay to Agent and Lenders, and do hereby indemnify and hold Agent and each Lender harmless for the amount of any payments or proceeds surrendered or returned. This Section 6.4 shall remain effective notwithstanding any contrary action which may be taken by Agent or any Lender in reliance upon such payment or proceeds. This Section 6.4 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement."

(mmm) Section 6.8 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"6.8 Pro Rata Treatment. Except to the extent otherwise provided in this Agreement: (a) the making and conversion of Revolving Loans shall be made among the Revolving Loan Lenders based on their respective Pro Rate Shares as to the Revolving Loans, and (b) each payment on account of any Obligations to or for the account of one or more of Lenders in respect of any Obligations due on a particular day shall be allocated among the Lenders entitled to such payments based on their respective Pro Rata Shares and shall be distributed accordingly."

(nnn) Section 7.8 of the Loan Agreement is hereby amended by deleting the text "until repayment of the Term Loan or at any time an Event of Default has occurred and is continuing, " therein.

(ooo) Section 9.3 of the Loan Agreement is hereby amended by inserting the following as a new clause (f) after clause (e) thereof:

"(f) The Borrowers will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrowers, their respective Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions."

(ppp) Section 9.6(a) of the Loan Agreement is hereby amended by deleting the text "Ten Million Dollars ($10,000,000)" therein and replacing it with the text "Twelve Million Five Hundred Thousand Dollars ($12,500,000)".

(qqq) Section 9.7 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"9.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc. Each Borrower shall not, directly or indirectly, (a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it, provided, that (A) any Borrower may merge into or with or consolidate with any other Borrower upon not less than twenty (20) days prior written notice to Agent and (B) any Borrower may merge into or consolidate with another Person to effect a transaction permitted under Section 9.10(d) below so long as the Borrower is the surviving entity, or (b) unless otherwise consented to by Agent in writing, which consent shall not be unreasonably withheld or delayed, sell, assign, lease, transfer, abandon or otherwise dispose of any capital stock of a subsidiary or indebtedness to any other Person or any of its assets to any other Person (except for (i) sales of Inventory in the ordinary course of business, (ii) the disposition of worn-out or obsolete Equipment or Equipment no longer used in the business of such Borrower so long as (A) if an Event of Default exists or has occurred and is continuing, any proceeds are paid to Agent, for the ratable benefit of Lenders and (B) such sales for all Borrowers do not involve Equipment having an aggregate fair market value in excess of Two Million Five Hundred Thousand Dollars ($2,500,000) for all such Equipment disposed of in any single transaction or in excess of Seven Million Five Hundred Thousand Dollars ($7,500,000) for all such Equipment disposed of in any fiscal year of Borrowers, (iii) a sale of the Real Estate to the extent permitted under Section 2.6(a), (iv) a sale of the Adjacent Real Estate to the extent permitted under Section 2.6(b) and (v) any sale, assignment, lease, transfer, or other disposition of assets from a Borrower to any other Borrower), (c) form or acquire any subsidiaries (except as provided in Section 9.10(d) below), or (d) wind up, liquidate or dissolve or (e) agree to do any of the foregoing."

(rrr) Section 9.9(f) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(f) any obligations or indebtedness of Borrowers on account of the deferred payment of the Total Consideration (as defined in Section 9.10 hereof) or any earn-outs or similar contingent payments in connection with the acquisition of a Target (as defined in Section 9.10 hereof), to the extent permitted in Section 9.10(d) hereof; provided, however, that no payments may be made by Borrowers on account thereof (other than with respect to the earn-out payable in connection with the acquisition of En Pointe) unless both before and immediately after giving effect to such payment, Borrowers have at least $10,000,000 in Excess Availability;"

(sss) Section 9.9(i) of the Loan Agreement is hereby amended by deleting the text "Indebtedness" therein, and replacing it with the text "indebtedness".

(ttt) Section 9.10(d)(ii) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(ii) The aggregate sum of (A) the purchase price for the subject Target and any related Targets plus any other consideration payable in connection with the sale of the Target and any related Targets, excluding any earn-outs and similar contingent payments, excluding any obligations or indebtedness of the Target that are assumed (as permitted by Section 9.9 hereof) and excluding any capital stock of PCM (the "Total Consideration") or the amount of the subject Subsidiary Investments (as applicable), plus (B) the aggregate sum of the Total Consideration for all Targets acquired by Borrowers after the date hereof shall not exceed Fifty Million Dollars ($50,000,000) during the term of this Agreement after the Fourth Amendment Effective Date and Twenty Million Dollars ($20,000,000) during any fiscal year;"

(uuu) Section 9.10(d)(iii) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(iii) As of the date of the acquisition of the subject Target and any related Targets or the making of the subject Subsidiary Investments (as applicable) and after giving effect thereto, the Average 30 Day Excess Availability would not be less than $17,000,000;"

(vvv) Section 9.10(h) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(h) Borrowers may make acquisitions of or investments in properties numbered 1 through 3 listed on Schedule 9.10, so long as (i) the aggregate amount of such acquisitions and investments, together with any acquisition costs, property improvements and purchase money financing related thereto (excluding acquisitions, investments, costs or improvements made from the identifiable net proceeds of the sale or refinance of the Real Estate within 180 days of receipt by Borrowers of the net proceeds thereof), does not exceed $20,000,000 during the term of this Agreement after the Fourth Amendment Effective Date, (ii) the Borrowers have at least $10,000,000 in Excess Availability both before and after giving effect to each such acquisition or investment, and (iii) no Event of Default has occurred and is continuing at the time of any such acquisition or investment, or would result therefrom;"

(www) Section 9.11 of the Loan Agreement is hereby amended by deleting the text "date hereof" at the end of clause (a) thereof and replacing it with the text "Fourth Amendment Effective Date".

(xxx) A new Section 9.19 is added to the Loan Agreement to read in its entirety as follows:

"9.19 Use of Proceeds. No Borrower will request any Loan or Letter of Credit Accommodation, and no Borrower shall use, and each Borrower shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Loan or Letter of Credit Accommodation (A) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (B) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, to the extent such activities, businesses or transaction would be prohibited by Sanctions if conducted by a corporation incorporated in the United States, or (C) in any manner that would result in the violation of any Sanctions applicable to any party hereto."

(yyy) Section 10.1(a) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(a) (i) Borrowers fail to pay when due any principal amount on the Loans, (ii) Borrowers fail to pay any other Obligations within two (2) Business Days after the same become due and payable or (iii) any Borrower or any Obligor fails to perform any of the covenants contained in this Agreement or the other Financing Agreements and such failure shall continue for thirty (30) days; provided, that, such thirty (30) day period shall not apply in the case of (A) any failure to observe any such covenant which is not capable of being cured at all or within such thirty (30) day period or which has been the subject of a prior failure within the preceding four (4) month period, (B) any failure by Borrowers to pursue a cure diligently and promptly during such thirty (30) day period, or (C) a violation of Section 9.19;"

(zzz) Section 11.3(b)(i) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(i) the extension of the Final Maturity Date;"

(aaaa) Section 11.3(b)(v) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(v) the amendment, modification or waiver of: (A) the terms of the following definitions or any provisions relating thereto: Eligible Accounts, Eligible Adjacent Real Estate, Eligible Real Estate, Eligible Inventory, Excess Availability, Final Maturity Date, Maximum Credit, Required Lenders or Pro Rata Shares, or (B) any provision of Sections 6.4 or 6.8, or this Section 11.3;"

(bbbb) Section 12.11(a) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(a) Agent may, at its option, from time to time, at any time on or after an Event of Default and for so long as the same is continuing or upon any other failure of a condition precedent to the Loans and Letter of Credit

Accommodations hereunder, make such disbursements and advances ("Special Agent Advances") which Agent, in its sole discretion, deems necessary or desirable either (i) to preserve or protect the Collateral or any portion thereof (provided that in no event shall Special Agent Advances for such purpose exceed Five Million Dollars ($5,000,000) in the aggregate outstanding at any time), provided, that, unless all Lenders otherwise agree in writing, the Special Agent Advances under this clause (i) shall not cause the aggregate outstanding principal amount of the Loans, the Letter of Credit Accommodations and such Special Agent Advances to exceed the Maximum Credit, and Agent shall make commercially reasonable arrangements with Borrowers for the repayment in full of such Special Agent Advances within a reasonable time, or (ii) to pay any other amount chargeable to any Borrower pursuant to the terms of this Agreement consisting of costs, fees and expenses and payments to any issuer of Letter of Credit Accommodations. Special Agent Advances shall be repayable on demand and be secured by the Collateral. Special Agent Advances shall not constitute Loans (except that they shall bear interest as if they were Prime Rate Loans) but shall otherwise constitute Obligations hereunder. Agent shall notify each Lender and Borrowers in writing of each such Special Agent Advance, which notice shall include a description of the purpose of such Special Agent Advance. Without limitation of its obligations pursuant to Section 6.10, each Lender agrees that it shall make available to Agent, upon Agent's demand, in immediately available funds, the amount equal to such Lender's Pro Rata Share of each such Special Agent Advance. If such funds are not made available to Agent by such Lender, Agent shall be entitled to recover such funds, on demand from such Lender together with interest thereon, for each day from the date such payment was due until the date such amount is paid to Agent at the interest rate then payable by Borrowers in respect of the Revolving Loans as set forth in Section 3.1 hereof."

(cccc) Section 12.11(b) of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"(b) Lenders hereby irrevocably authorize Agent, at its option and in its discretion to release any security interest in, mortgage or lien upon, any of the Collateral (i) upon termination of the Commitments and payment and satisfaction of all of the Obligations and delivery of cash collateral to the extent required under Section 13.1 hereof, or (ii) constituting property being sold or disposed of if Borrowers certify to Agent that the sale or disposition is made in compliance with the terms hereof, including Sections 9.7 and 2.3 hereof (and Agent may rely conclusively on any such certificate, without further inquiry), or (iii) constituting property in which any Borrower or any Obligor did not own an interest at the time the security interest, mortgage or lien was granted or at any time thereafter, or (iv) having an aggregate value of less than Five Million Dollars ($5,000,000) during any calendar year, or (v) if approved, authorized or ratified in writing by all of Lenders. Except as provided above, Agent will not release any security interest in, mortgage or lien upon, any of the Collateral without the prior written authorization of all of Lenders (and any Lender may require that the proceeds from any sale or other disposition of the Collateral to be so released be applied to the Obligations in a manner satisfactory to such Lender). Upon request by Agent at any time, Lenders will promptly confirm in writing Agent's authority to release particular types or items of Collateral pursuant to this Section."

(dddd) Section 13.1(c) of the Loan Agreement is deleted in its entirety.

(eeee) Section 13.6 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"13.6 Participant's Compensation. Borrowers agree that each Participant shall be entitled to the benefits of Sections 3.5, 6.5 and 11.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 13.5(a); provided that such Participant agrees to be subject to the provisions of Section 6.9 as if it were an assignee pursuant to Section 13.5(a). Notwithstanding anything herein to the contrary, a Participant shall not be entitled to receive any greater payment under Section 3.5(a), 6.5 or 11.5 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers' prior written consent. A Participant that would be a Non U.S.-Lender if it were a Lender shall not be entitled to the benefits of Section 6.5 unless Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of Borrowers, to comply with Section 6.5(e) as though it were a Lender."

(ffff) Section 13.10 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"13.10 Amendment and Restatement. Each of the Lenders having a Commitment prior to the date hereof (the "Pre-Amendment Lenders") shall assign to any Lender which is acquiring a new or additional Commitment on the date hereof (the "Post-Amendment Lenders"), and such Post-Amendment Lenders shall purchase from each Pre-Amendment Lender, at the principal amount thereof, such interests in the Revolving Loans and participation interests in Letter of Credit Accommodations on the date hereof as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans and participation interests in Letter of Credit Accommodations will be held by Pre-Amendment Lenders and Post-Amendment Lenders ratably in accordance with their Pro Rata Share after giving effect to the amendments provided herein."

(gggg) A new Section 14.10 is added to the Loan Agreement to read in its entirety as follows:

"14.10 Keepwell. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other guarantor of, or grantor of a security interest to secure, the obligations to guaranty and otherwise honor all Obligations in respect of Swap Obligations (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 14.10 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 14.10, or otherwise under the Financing Agreements, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until payment in full of the Obligations. Each Qualified ECP Guarantor intends that this Section 14.10 constitute, and this Section 14.10 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other guarantor of, or grantor of a security interest to secure, the Obligations for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act."

(hhhh) Each Borrower hereby agrees and acknowledges that, concurrently with the entering into of this Amendment, the Lenders will make Revolving Loans, in accordance with their Pro Rata Shares, in an amount sufficient to pay off the Term Loans, as defined in the Loan Agreement as in effect immediately prior to the date hereof, with the proceeds of such Revolving Loans to be used to repay in full such Term Loans. Agent and each of the Lenders agrees that upon such repayment in full, each of the Term Notes, as defined in the Loan Agreement as in effect immediately prior to the date hereof, will be null and void and of no further force and effect.

2. Joinder of New Borrower

(a) New Borrower hereby acknowledges, agrees and confirms that, by its execution of this Amendment, New Borrower will be deemed to be a "Borrower" for all purposes of the Loan Agreement and the Fee Letter and shall have all of the obligations of a Borrower thereunder as if it had executed the Loan Agreement and the Fee Letter. New Borrower hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the Loan Agreement, including without limitation (i) all of the representations and warranties of Borrowers set forth in Section 8 of the Loan Agreement, (ii) all of the covenants set forth in Sections 7 and 9 of the Loan Agreement and (iii) all of the multiple borrower provisions of Section 14 of the Loan Agreement. Without limiting the generality of the foregoing terms of this clause (a), New Borrower, hereby agrees, jointly and severally with the other Borrowers, that it is responsible for the prompt payment and performance of the Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) strictly in accordance with the terms thereof.

(b) To secure payment and performance of all Obligations, New Borrower hereby grants to Agent a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Agent as security, all Collateral owned by it, whether now owned or hereafter acquired or existing, and wherever located.

(c) To supplement the amendments set forth in Section 1 of this Amendment, the definition of "Information Certificates" in Section 1.68 of the Loan Agreement shall be deemed to include the Information Certificate of New Borrower attached hereto as Exhibit A in addition to the Information Certificates of the other Borrowers.

(d) Schedule 8.4 and Schedule 9.9 to the Loan Agreement are hereby amended and replaced with Schedule 8.4 and Schedule 9.9 attached hereto.

(e) New Borrower hereby represents and warrants to Agent and the Lenders the truth and accuracy as of the date hereof as though made on and as of the date hereof of all representations and warranties applicable to Borrowers in the Loan Agreement (after giving effect to the inclusions of New Borrower, its Information Certificate and the information set forth on the schedule attached hereto as set forth in clauses (a), (c) and (d) above) other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof.

(f) The address of New Borrower for purposes of Section 13.2 of the Loan Agreement is as follows:

1940 East Mariposa Avenue
El Segundo, CA 90245

3. Conditions Precedent to Effectiveness of this Amendment. This Amendment shall not become effective until all of the following conditions precedent shall have been satisfied in the sole discretion of Agent or waived by Agent:

(a) Agent shall have received this Amendment fully executed in a sufficient number of counterparts for distribution to all parties;

(b) Borrowers shall pay to Agent (i) for the benefit of Lenders party to the Loan Agreement as in effect immediately prior to the effectiveness of this Amendment (the "Existing Loan Agreement"), in accordance with their Pro Rata Shares (calculated under clause (c) of the definition of Pro Rata Share as defined in the Existing Loan Agreement), an amendment fee in an amount equal to One Hundred Thousand Dollars ($100,000), which fee shall be fully earned as of and payable on the date hereof; (ii) for the benefit of Wells Fargo Capital Finance, LLC on account of the increase to its Revolving Loan Commitment on the date hereof, $40,000, for the benefit of JPMorgan Chase Bank, N.A. on account of the increase to its Revolving Loan Commitment on the date hereof, $10,000, and for the benefit of Compass Bank on account of the addition of its Revolving Loan Commitment on the date hereof, $50,000; and (iii) for the account of Agent, as and when due and payable under the terms of that certain fee letter, dated as of the date hereof, among Borrowers and Agent, in form and substance satisfactory to Agent (the "Fourth Amendment Fee Letter"), the fees set forth in the Fourth Amendment Fee Letter, each of which fees shall be fully earned as of and payable on the date hereof;

(c) Agent shall have received such endorsements to its loan policy of title insurance for its respective deeds of trust against the Real Estate and Adjacent Real Estate, each as amended, as it shall reasonably request in connection with this Amendment;

(d) all requisite corporate or company action and proceedings of New Borrower in connection with this Amendment and the other Financing Agreements executed in connection herewith shall be satisfactory in form and substance to Agent, and Agent shall have received all information and copies of all documents of New Borrower, including, without limitation, records of requisite corporate or company action and proceedings which Agent may have requested in its Permitted Discretion in connection therewith, such documents where requested by Agent in its Permitted Discretion or its counsel to be certified by appropriate corporate or company officers or Governmental Authorities;

(e) Agent shall have received a certificate of a duly authorized officer of each Borrower (other than New Borrower), in form and substance satisfactory to Agent, certifying (i) that attached (or previously provided) copies of such Borrower's organizational and governing documents are true and complete, and in full force and effect, without amendment except as shown; (ii) that an attached copy of resolutions authorizing execution and delivery of the Financing Agreements is true and complete, and that such resolutions are in full force and effect, were duly adopted, have not been amended, modified or revoked, and constitute all resolutions adopted with respect to this Amendment; and (iii) to the title, name and signature of each Person authorized to sign the Financing Agreements;

(f) Agent shall have received the fully executed Seventh Amendment to Deed of Trust, Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing with respect to the Real Estate and the fully executed First Amendment to Deed of Trust, Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing with respect to the Adjacent Real Estate;

(g) Agent shall have received such documents as Agent may require to establish that it has a valid, perfected and first priority security interest in the Collateral held by New Borrower, including, without limitation, a Collateral Assignment of Trademarks;

(h) Agent shall have received an Information Certificate duly executed and delivered by New Borrower;

(i) Agent shall have received, in form and substance reasonably satisfactory to Agent, and reviewed to its reasonable satisfaction, UCC, tax lien, litigation, bankruptcy and intellectual property searches from all offices that Agent deems appropriate with respect to New Borrower in its sole discretion;

(j) Agent shall have received, in form and substance satisfactory to Agent, an opinion letter of counsel to Borrowers with respect to this Amendment and such other matters as Agent may reasonably request;

(k) Agent shall have received the Fourth Amendment Fee Letter duly executed and delivered by Borrowers;

(l) Borrowers shall have Excess Availability of at least $17,000,000 after giving effect to the effectiveness of this Amendment;

(m) Agent shall have received evidence of insurance and loss payable endorsements with respect to the insurance policies of New Borrower; and

(n) Agent shall have received all other documents and legal matters in connection with the transactions contemplated by this Amendment and such documents shall have been delivered or executed or recorded and shall be in form and substance satisfactory to Agent.

4. Joining Lender. By its execution of this Amendment, Compass Bank hereby confirms and agrees that, with effect on and after the date hereof, it shall be a party to the Loan Agreement and succeed to all of the rights and be obligated to perform all of the obligations of a Lender under the Loan Agreement, including the requirements concerning confidentiality and the payment of indemnification, with a Revolving Loan Commitment in an amount equal to $25,000,000. Compass Bank (i)(a) acknowledges that it has received a copy of the Loan Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements of Borrowers, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Amendment, and (b) agrees that it will, independently and without reliance upon Agent or any Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Loan Agreement; (ii) hereby appoints and authorizes Wells Fargo Capital Finance, LLC in its capacity as Agent to take such action as agent on its behalf to exercise such powers under the Loan Agreement as are delegated to Agent; and (iii) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Agreement are required to be performed by it as a Lender. For the avoidance of doubt, Borrowers hereby consent to Compass Bank becoming a Lender under the Credit Agreement.

5. Representations and Warranties. Each Borrower represents and warrants as follows:

(a) Authority. Each Borrower has the requisite corporate power and authority to execute and deliver this Amendment, and to perform its obligations hereunder and under the Financing Agreements (as amended or modified hereby) to which it is a party. The execution, delivery and performance by each Borrower of this Amendment have been duly approved by all necessary corporate action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restriction binding on any Borrower. No other corporate proceedings are necessary to consummate such transactions.

(b) Enforceability. This Amendment has been duly executed and delivered by each Borrower. This Amendment and each Financing Agreement (as amended or modified hereby) is the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in each Financing Agreement (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct on and as of the date hereof as though made on and as of the date hereof.

(d) Due Execution. The execution, delivery and performance of this Amendment are within the power of each Borrower, have been duly authorized by all necessary corporate or company action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on such Borrower.

(e) No Default. No event has occurred and is continuing that constitutes a Default or Event of Default.

6. Choice of Law. The validity of this Amendment, the construction, interpretation, and enforcement hereof, and the rights of the parties hereto with respect to all matters arising hereunder or related hereto shall be determined under, governed by, and construed in accordance with the laws of the State of California.

7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telefacsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

8. Reference to and Effect on the Financing Agreements.

(a) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Financing Agreements to "the Loan Agreement", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(b) Except as specifically set forth in this Amendment, the Loan Agreement and all other Financing Agreements, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of Borrowers to Agent and Lenders without defense, offset, claim or contribution.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under any of the Financing Agreements, nor constitute a waiver of any provision of any of the Financing Agreements.

9. Ratification. Each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement, as amended hereby, and the other Financing Agreements effective as of the date hereof.

10. Estoppel. To induce Agent and Lenders to enter into this Amendment and to induce Agent and Lenders to continue to make advances to Borrowers under the Loan Agreement, each Borrower hereby acknowledges and agrees that, after giving effect to this Amendment, as of the date hereof, there exists no Default or Event of Default.

11. Integration. This Amendment is a Financing Agreement. This Amendment, together with the other Financing Agreements, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

12. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

13. Submission of Amendment. The submission of this Amendment to the parties or their agents or attorneys for review or signature does not constitute a commitment by Agent or any Lender to waive any of their respective rights and remedies under the Financing Agreements, and this Amendment shall have no binding force or effect until all of the conditions to the effectiveness of this Amendment have been satisfied as set forth herein.

14. Post-Closing Obligation. Within 30 days after the date hereof (or such longer period as agreed to by the Agent in its sole discretion), Borrowers shall deliver to Agent Deposit Account Control Agreements by and among Agent, New Borrower and each bank where New Borrower has a deposit account, in each case, duly authorized, executed and delivered by such bank and New Borrower (or Agent shall be the bank's customer with respect to such deposit account as Agent may specify).

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

BORROWERS:

PCM, INC.,
a Delaware corporation

By: /s/ Brandon LaVerne
Name: Brandon LaVerne
Title: CFO

PCM SALES, INC.,
a California corporation

By: /s/ Stephen W. Moss
Name: Stephen W. Moss
Title: President

PCM LOGISTICS, LLC,
a Delaware limited liability company

By: /s/ Sean Mollet
Name: Sean Mollet
Title: President

PCMG, INC.,
a Delaware corporation

By: /s/ Alan Bechara
Name: Alan Bechara
Title: President

BORROWERS:

M2 MARKETPLACE, INC.,
a Delaware corporation

By: /s/ Dan DeVries
Name: Dan DeVries
Title: President

ABREON, INC.,
a Delaware corporation

By: /s/ Howard Schapiro
Name: Howard Schapiro
Title: President

MALL ACQUISITION SUB 4 INC.,
a Delaware corporation

By: /s/ Brandon LaVerne
Name: Brandon LaVerne
Title: President

MALL ACQUISITION SUB 5 INC.,
a Delaware corporation

By: /s/ Brandon LaVerne
Name: Brandon LaVerne
Title: President

BORROWERS:

PCM BPO, LLC,
a Delaware limited liability company

By: /s/ Simon Abuyounes
Name: Simon Abuyounes
Title: President/Manager

ONSALE HOLDINGS, INC.,
an Illinois corporation

By: /s/ Sam Khulusi
Name: Sam Khulusi
Title: President

EN POINTE TECHNOLOGIES SALES, LLC,
a Delaware limited liability company

By: /s/ Michael Rapp
Name: Michael Rapp
Title: President

AGENT AND LENDERS:

WELLS FARGO CAPITAL FINANCE, LLC,
as Agent and as a Lender

By: /s/ Dennis King
Name: Dennis King
Title: Vice President

Revolving Loan Commitment: $100,000,000

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ Matthew R. Van Steenhuyse
Name: Matthew R. Van Steenhuyse
Title: Senior Vice President

Revolving Loan Commitment: $50,000,000

PNC BANK, NATIONAL ASSOCIATION
as a Lender

By: /s/ Steve Roberts
Name: Steve Roberts
Title: Vice President

Revolving Loan Commitment: $40,000,000

JPMORGAN CHASE BANK, N.A.,
as a Lender

By: /s/ Jordan Azar
Name: Jordan Azar
Title: Authorized Officer

Revolving Loan Commitment: $35,000,000

COMPASS BANK,
as a Lender

By: /s/ Jason Nichols
Name: Jason Nichols
Title: Senior Vice President

Revolving Loan Commitment: $25,000,000

Exhibit A

Form of Information Certificate

INFORMATION CERTIFICATE
OF
____

Dated: [________]

Wells Fargo Capital Finance, LLC
2450 Colorado Avenue, Suite 3000 West
Santa Monica, CA 90404

In order to assist you in the evaluation of the financing you are considering of ______________ (the "Company"), to expedite the preparation of required documentation, and to induce you to provide financing to the Company, we represent and warrant to you the following information about the Company, its organizational structure and other matters of interest to you:

15. The Company has been formed by filing the following document with the Secretary of State of the State of _________________:

    - ❑ Certificate/Articles of Incorporation
    - ❑ Certificate/Articles of Organization
    - ❑ Other [specify]:________________________________

    The date of formation of the Company by the filing of the document specified above with the Secretary of State was _______________.

16. The Company was not formed by filing a document with any Secretary of State. The Company is organized as a [specify type of organization, (e.g., general partnership, sole proprietorship, etc.)] ________________. The Company's governing document is a [name legal document, if one exists, (e.g., partnership agreement, etc.)] _________ .

17. The full and exact name of the Company as set forth in the document specified in Item 1 or 2, or (if no document is specified in Item 1 or 2) the full and exact legal name used in the Company's business, is: ________________________

18. The Company uses and owns the following trade name(s) in the operation of its business (e.g. billing, advertising, etc.; note: do not include names which are product names only):

    ____

19. The Company maintains offices, leases or owns real estate, has employees, pays taxes, or otherwise conducts business in the following States (including the State of its organization): ___________________

20. The Company has filed the necessary documents with the Secretary of State to qualify as a foreign corporation in the following States: ___________________

21. The Company's authority to do business has been revoked or suspended, or the Company is otherwise not in good standing in the following States: ___________________

22. The Company is the owner of the following licenses and permits, issued by the federal, state or local agency or authority indicated opposite thereto:

Type of License	Issuing Agency or Authority
______________________	___________________________________
______________________	___________________________________
______________________	___________________________________
______________________	___________________________________

23. In conducting its business activities, the Company is subject to regulation by federal, state or local agencies or authorities (e.g., FDA, EPA, state or municipal liquor licensing agencies, federal or state carrier commissions, etc.) as follows:

Type of Activity	Regulatory Agency or Authority
______________________	___________________________________
______________________	___________________________________
______________________	___________________________________
______________________	___________________________________

24. The Company has never been involved in a bankruptcy or reorganization except: [explain] _______________________________

25. Between the date the Company was formed and now, the Company has used other names as set forth below:

Period of Time Prior Name
From ______________ to ______________
From ______________ to ______________
From ______________ to ______________
From ______________ to ______________

26. Between the date the Company was formed and now, the Company has made or entered into mergers or acquisitions with other companies as set forth below:

Approximate Date	Other Entity	Description of Transaction
______________________	______________	____
______________________	______________	____
______________________	______________	____

________________________ ________________ ____

27. The chief executive office of the Company is located at the street address set forth below, which is in _________________________ County, in the State of _________________________

28. The books and records of the Company pertaining to accounts, contract rights, inventory, etc. are located at the following street address:

____

29. In addition to the chief executive office, the Company has inventory, equipment or other assets located at the addresses set forth below. In each case, we have noted whether the location is owned, leased or operated by third parties and the names and addresses of any mortgagee, lessor or third party operator:

Street Address with County	**Company's Interest** (e.g., owner, lessee or bailee)	**Name and Address of Third Party with Interest in Location** (e.g., mortgagee, lessor or warehouseman)

30. In the course of its business, the Company's inventory and/or other assets are handled by the following customs brokers and/or freight forwarders:

Name	**Address**	**Type of Service/Assets Handled**

31. The places of business or other locations of any assets used by the Company during the last four (4) months other than those listed above are as follows:

Street Address	**City**	**State & Zip Code**	**County**

32. The Company is affiliated with, or has ownership in, the following entities (including subsidiaries):

Name of Entity	Chief Executive Office	Jurisdiction of Incorporation	Ownership Percentage or Relationship

33. The Federal Employer Identification Number of the Company is ______________________

34. Under the Company's charter documents, and under the laws of the State in which the Company is organized, the shareholders, members or other equity holders do not have to consent in order for the Company to borrow money, incur debt or obligations, pledge or mortgage the property of the Company, grant a security interest in the property of the Company or guaranty the debt of obligations of another person or entity.

❑ True ❑ Incorrect [explain]: ____

____

____

____

____

The power to take the foregoing actions is vested exclusively in the ___________________________ [name the body (e.g. Board of Directors) or person (e.g. general partner, sole Manager) that has such authority].

35. The officers of the Company (or people performing similar functions) and their respective titles are as follows:

Title	Name

36. The Company is governed by ______________ [insert name of governing body or person (e.g. Board of Directors, sole Manager, General Partner)]. The members of such governing body of the Company are: ___________________________________

37. The name of the stockholders, members, partners or other equity holders of the Company and their equity holdings are as follows (if equity interests are widely held indicate only equity owners with 10% or more of the equity interests):

Name	No. of Shares or Units	Ownership Percentage

38. There are no judgments or litigation pending by or against the Company, its subsidiaries and/or affiliates or any of its officers/principals, except as follows: ________________________

39. At the present time, there are no delinquent taxes due (including, but not limited to, all payroll taxes, personal property taxes, real estate taxes or income taxes) except as follows: ________________________

40. The Company's assets are owned and held free and clear of any security interests, liens or attachments, except as follows:

Lienholder	Assets Pledged	Amount of Debt Secured

41. The Company has not guaranteed and is not otherwise liable for the obligations of others, except as follows:

Debtor	Creditor	Amount of Obligation

42. The Company does not own or license any trademarks, patents, copyrights or other intellectual property, except as follows (indicate type of intellectual property and whether owned or licensed, registration number, date of registration, and, if licensed, the name and address of the licensor):

Type of Intellectual Property	Registration Number and Date of Registration	Owned or Licensed	Name and Address of Licensor

43. The Company owns or uses the following materials (e.g., software, etc.) that are subject to registration with the United States Copyright Office, though at present copyright registrations have not been filed with respect to such materials: ____

____

____

44. The Company does not have any deposit or investment accounts with any bank, savings and loan or other financial institution, except as follows, for the purposes and of the types indicated:

Bank Name and Branch Address	Contact Person and Phone Number	Account No.	Purpose/Type

45. The Company has no processing arrangements for credit card payments or payments made by check (e.g. Telecheck) except as follows:

Processor Name and Address	Contact Person and Phone Number	Account No.

46. The Company owns or has registered to it the following motor vehicles, the original title certificates for which shall be delivered to Lender prior to closing:

State Where Titled and, if different, Registered	Name of Registrant as it appears on the Title Certificate	VIN	Year, Make and Model

47. With regard to any pension or profit sharing plan: ________________________________

(a) A determination as to qualification has been issued.

(b) Funding is on a current basis and in compliance with established requirements.

48. The Company's fiscal year ends: _________________________________

49. Certified Public Accountants for the Company is the firm of: _________________________________

Name: ____
Address: ____
Telephone: ____
Facsimile: ____
E-Mail: ____
Partner Handling Relationship: _______________________
Were statements uncertified for any fiscal year? ______

50. The Company's counsel with respect to the proposed loan transaction is the firm of:

Name: ____________________________
Address: ____________________________
Telephone: ____________________________
Facsimile: ____________________________
E-Mail: ____________________________
Partner Handling Relationship: ________________

We agree to give you prompt written notice of any change or amendment with respect to any of the foregoing information. Until you receive such notice, you will be entitled to rely in all respects on the foregoing information.

Very truly yours,

[__________________]

By: ____________________________
Name: ____________________________
Title: ____________________________

*** CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SCHEDULE 8.4

Other Liens

Lienholder	Borrower(s)	Assets	Amount of Debt Secured
IBM Credit LLC	PCM, Inc. PCM Sales, Inc. PCMG, Inc. M2 Marketplace, Inc. Abreon, Inc. En Pointe Technologies Sales, LLC	All assets	[* * *]
Apple Inc.	PCM Sales, Inc. PCM, Inc. PCMG, Inc. M2 Marketplace, Inc. PCM Logistics, LLC OnSale Holdings, Inc. En Pointe Technologies Sales, LLC	Inventory and all proceeds thereof	[* * *]
Hewlett-Packard Company	PCM, Inc. PCM Logistics, LLC PCM Sales, Inc. M2 Marketplace, Inc. PCMG, Inc. En Pointe Technologies Sales, LLC	Inventory, equipment and all proceeds thereof	[* * *]

*** CERTAIN INFORMATION IN THIS EXHIBIT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

SCHEDULE 9.9

Indebtedness

Lender	Borrower(s)	Maximum Amount of Debt
IBM Credit LLC	PCM, Inc. PCM Sales, Inc. PCMG, Inc. M2 Marketplace, Inc. Abreon, Inc. En Pointe Technologies Sales, LLC	[* * *]
Apple Inc.	PCM Sales, Inc. PCM, Inc. PCMG, Inc. M2 Marketplace, Inc. PCM Logistics, LLC OnSale Holdings, Inc. En Pointe Technologies Sales, LLC	[* * *]
Hewlett-Packard Company	PCM, Inc. PCM Logistics, LLC PCM Sales, Inc. M2 Marketplace, Inc. PCMG, Inc. En Pointe Technologies Sales, LLC	[* * *]

EXHIBIT 31.1

PCM, INC.

CERTIFICATION

I, Frank F. Khulusi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PCM, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2015

/s/ Frank F. Khulusi

Frank F. Khulusi
Chief Executive Officer

EXHIBIT 31.2

PCM, INC.

CERTIFICATION

I, Brandon H. LaVerne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PCM, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2015

/s/ Brandon H. LaVerne
Brandon H. LaVerne
Chief Financial Officer

EXHIBIT 32.1

PCM, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of PCM, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Frank F. Khulusi, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

May 11, 2015

/s/ Frank F. Khulusi
Frank F. Khulusi
Chief Executive Officer

EXHIBIT 32.2

PCM, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)

In connection with the Quarterly Report of PCM, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Brandon H. LaVerne, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

May 11, 2015

/s/ Brandon H. LaVerne
Brandon H. LaVerne
Chief Financial Officer